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FINANCIAL TIMES

Europe's Business Newspaper FRIDAY NOVEMBER 13 1992 D8523A

EC and US set to resume farm trade talks next week

EC and US negotiators will try to settle their differences over farm subsidies and world trade next Wednesday and Thursday in Washington. Ray MacSharry, EC agriculture commissioner, and US secretary for agriculture Ed Madigan will resume the farm subsidy talks that came close to success in Chicago 10 days ago. Page 4

Ford Motor named Alex Trotman president and chief operating officer of its worldwide vehicle operations as part of a top management reshuffle. A questionmark remained over the succession to Harold Poling, the US group's chairman and chief executive, who will retire next year. Page 19

German aid for refugees: Germany is to spend DM70m ($44m) on building houses in Croatia for Yugoslav refugees, a move prompted by Bonn's frustration at the reluctance of EC partners to accept more refugees. Page 3

Transatlantic row brews over Iraq: The US Senate foreign relations committee has asked the UK to explain why, in 1989, it persuaded the US not to add UK machine tool maker Matrix Churchill to a list of companies that had breached US missile technology controls. **Major pressed on Iraq, Page 6**

BT profits drop 36%: Pre-tax six-monthly profits fell at British Telecommunications by 36 per cent because of a big redundancy programme which helped bring profits down from £1.61bn to £1.03bn ($1.55bn). Page 19; Lex, Page 18

Clinton pledges new-look cabinet:

President-elect Bill Clinton, before announcing his transition team, promised his new cabinet would "look more like America" with more women and ethnic minorities. The transition team was expected to include Judy Feder, a healthcare expert; Al From, head of the centrist Democratic Leadership Council; and Samuel Berger, a senior member of the Carter administration. Page 18

Italy cuts interest rates: The Bank of Italy has cut its key discount lending rate by 1 percentage point to 13 per cent, a larger reduction than most analysts had expected. **France shaves rates, Page 2**

Japan's trade surplus soars: A surge in car exports to Europe was a main contributor to the 51 per cent increase in Japan's custom-cleared trade surplus in October to a record $10.9bn. Page 4

Balkan pledge on Macedonia: Greece eased international concern about its intentions towards Macedonia by winning support from Serbia, Bulgaria and Albania to declare inviolable the borders of the former Yugoslav republic. Page 3

Ukraine scraps roubles: The Ukraine said it was abandoning the rouble at midnight last night, replacing it with coupons as a stepping stone to a new currency. Page 3

Industry backs Russian reforms: The leader of Russia's industrialists hit out at those who had accused him of "threatening" economic reform in the country. Page 18

Norway helps state banks: Norway is finalising measures to support its three biggest banks, which are in danger of failing capital adequacy regulations unless they receive further state cash. Page 20

Hussein decrees pardon: King Hussein of Jordan pardoned two parliamentary members who had been sentenced to 20 years' hard labour earlier this week on charges of plotting to overthrow the king.

Aids hovers over Asia: The Aids epidemic sweeping Asia will wreak social and economic devastation if left unchecked, the UN Development Programme warned at a New Delhi conference. Page 4

Sony develops 'Watchman': Sony, which developed the Walkman, is now seeking to make video a similar experience with a portable Watchman video monitor. Page 18

Nymex stays in New York: The New York Mercantile Exchange, the world's largest energy market, will remain in New York City after it voted to drop a plan to relocate to New Jersey. Page 21

■ STOCK MARKET INDICES

FT-SE 100:	2,726.4	(+29.6)
Yield	4.42	
FT-SE Eurotrack 100	1,069.93	(+15.77)
FT-A All-Share	1,291.89	(+1.1%)
Nikkei	16,376.93	(+58.78)
New York lunchtime		
Dow Jones Ind Ave	3,234.92	(−5.41)
S&P Composite	421.81	(−0.39)

■ US LUNCHTIME RATES

Federal Funds:	3%
3-mo Treas Bills: Yld	3.118%
Long Bond	95 1/32
Yield	7.578%

■ LONDON MONEY

3-mo Interbank	7 1/16 %	(7 1/16 %)
Liffe long gilt future:	Dec 101 31/32	(Dec 102)

■ NORTH SEA OIL (Argus)

Brent 15-day (Dec)	$19.225	(19.45)

■ Gold

New York Comex (Nov)	$333.2	(331.7)
London	$333.85	(332.15)

■ STERLING

New York lunchtime:		
$	1.5215	
London:		
$	1.524	(1.526)
DM	2.42	(2.4175)
FFr	8.165	(8.1725)
SFr	2.165	(2.1825)
Y	189.00	(189.25)
£ Index	77.4	(77.9)

■ DOLLAR

New York lunchtime:		
DM	1.5882	
FFr	5.3575	
SFr	1.4332	
Y	124.125	
London:		
DM	1.5875	(1,585)
FFr	5.3575	(5.355)
SFr	1.4355	(1.4305)
Y	124.1	(124.0)
$ Index	65.1	(65.0)

Tokyo close Y 124.13

Austria	Sch30	Greece	Dr250	Lux	LFr60	Qatar	QR12.00
Bahrain	Din1.250	Hungary	Ft182	Malta	Lm0.60	S.Arabia	SR11
Belgium	BFr60	Iceland	IKr180	Morocco	MDh13	Singapore	S$4.10
Bulgaria	Lv25	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.50	Syria	SyP50.00
Egypt	E£4.50	Jordan	JD1.50	Pakistan	Rs35	Thailand	Bht50
Finland	FM12	Korea	Won 2500	Philippines	Pso45	Tunisia	Din1.250
France	FFr8.50	Kuwait	Fils.600	Poland	Zl 22,000	Turkey	L6000
Germany	DM3 30	Lebanon	US$1.25	Portugal	Es190	UAE	Dh10.00

OECD blames cartels for high Swiss prices

By Ian Rodger in Zurich

EVERY visitor to Switzerland winces at its extraordinarily high prices for everything from a cup of coffee to a hotel room to a train ride. Blame it on cartels, says the Organisation for Economic Co-operation and Development.

Goods and services for private consumption in Switzerland cost 40 per cent more than the average in the 24 OECD countries, the organisation says. Prices of goods and services for capital investment are 30 per cent higher.

In a special study within its annual examination of the Swiss economy, the OECD attributes these huge discrepancies to the pervasive presence of cartels and other devices for limiting free competition in Swiss markets.

Cartels are said to exist in 90 per cent of 72 industrial activities, usually involving price-fixing and/or market sharing agreements. Concentration is also high in several segments of the wholesale trade, and the market share of the five largest retail traders is nearly 80 per cent, "more than in any other European country", says the OECD.

The OECD observes that although most Swiss companies tend to be small to medium sized, concentration is high in most business sectors. "Oligopolistic structures have been established in several industries, like tobacco, leather and footwear, chemicals, electrical and electronic equipment, food processing, textile, paper, machines and vehicles".

The strength and persistence of collusive practices may seem paradoxical, given the openness of the country's trade frontiers. By 1985, the share of manufactured imports in the domestic market was 42 per cent, well above the OECD average.

But the role of imports in enforcing competitive discipline is undermined because most importers participate in the highly lucrative domestic distribution cartels.

Other factors are the highly protected status of food products and the fact that non-tradeable services represent a predominant share in the Swiss economy, 48 per cent of private sector gross domestic product, if construction is included.

Many Swiss laws and regulations contribute to restraint of trade. Laws permit Swiss companies to protect themselves from takeovers by hostile or foreign interests, and the report shows that Swiss companies tend to maintain their market positions for an extraordinarily long time.

Arcane norms and technical standards, business regulations and blatantly protectionist procurement policies, especially by cantonal governments, all keep out competitors, the OECD says. Swiss authorities charge twice as much as those in neighbouring countries to approve imported telephone sets. Swiss retailers are prohibited from using many sales promotion tactics that are common practice elsewhere.

As a result, the OECD esti-

Continued on Page 18
OECD report, Page 2

Lamont unveils plan to stimulate UK economy

Rates cut 1 point to 7% and measures introduced to encourage investment

By Peter Norman and Philip Stephens in London

MR NORMAN LAMONT, Britain's chancellor of the exchequer, yesterday unveiled plans to stimulate the UK economy out of recession by reducing interest rates and encouraging investment and construction.

His autumn economic statement fulfilled the Conservative government's promise of keeping public spending for 1993-94 within its target of £244.5bn ($370bn) largely through limiting public sector pay settlements to a maximum of 1.5 per cent.

At the centre of a new "strategy for growth" was a package of time-limited measures to boost business confidence and activity. The government expects them to inject an estimated £1bn into the UK economy over the rest of the current financial year.

Because of the recession, government borrowing is now expected to total £37bn in 1992-93, compared with £28bn estimated in the budget announced in March. Treasury figures suggest the public sector borrowing requirement could rise to about £44bn in 1993-94.

With the Treasury forecasting a 1 per cent contraction in gross domestic product this year, Mr Lamont announced a 1 percentage point cut in interest rates from today. Base rates will be cut by 1 point 7 per cent.

The Bank of Italy last night also cut its key discount lending rate by 1 percentage point to 13 per cent, also effective today. Earlier yesterday, France's central bank had lowered the regular intervention rate at which it lends to commercial banks by ¼ point to 9.1 per cent.

The UK rate cut had been accurately priced into foreign exchange dealing earlier in the week, and the pound barely moved against either the D-Mark or the dollar in its wake.

The FT-SE 100 index closed at 2,726.4, showing a net gain of 29.6. The projected figures for

public sector borrowing caused a sharp drop in the the price of government securities. Long-dated gilts ended the day as much as a ¼ percentage point lower.

Symptomatic of a more activist approach to tackling the recession, Mr Lamont unveiled a package of six fiscal measures to bring rapid support to hard-hit sectors.

The government will:

● Spend £750m buying an estimated 20,000 empty houses by the end of this financial year to reduce the overhang of unsold properties on the housing market and house families in need.

● Allow local authorities to use all capital receipts from council house sales between today and the end of next year on capital programmes, triggering an estimated £1.75bn of capital spending in the next 3¼ years.

● Provide an extra £700m of export credit cover for exporters.

● Increase, for 12 months only, the allowances for investment in plant and machinery, excluding cars, from 25 per cent to 40 per cent. The government will also introduce a 20 per cent allowance for spending on industrial and agricultural buildings ordered before October 31 1993.

● Abolish a tax on the sale of new cars from today, cutting the cost of a family car by about £400. The measure will be financed by higher motoring taxes next year.

In spite of the measures to boost confidence and stimulate growth, the Treasury is taking a cautious view of Britain's economic prospects. Its latest forecast, also released yesterday, projects 1 per cent real growth next year, compared with the 1.25 per cent consensus of independent forecasters.

The government expects a sluggish upturn in consumer spending to be the main spur to growth and to have only limited success reversing the decline of fixed investment in recent years.

The Treasury expects inflation, as measured by the retail price index less mortgage interest payments, to hold just within its 1 to 4 per cent target this year and next. Its forecast sees this so-called underlying inflation rising by 3.75 per cent in 12 months to the end of 1993. Imports will rise slightly faster than exports, lifting Britain's current account payments deficit to £15.5bn in 1993 from £12bn this year.

The public pay freeze will allow the government to shift an estimated £1.5bn from current to capital spending projects next year. Mr Lamont said the extension of the London underground railway's Jubilee Line to the city's docklands will go ahead, subject to completion of negotiations with the administrators of the Canary Wharf development, its bankers and London Transport.

The government also announced a relaxation of Treasury rules that could allow private finance to play a bigger part in infrastructure projects such as the East-West Cross Rail project in London and the rail link to the Channel Tunnel.

The government would "actively encourage" joint ventures with the private sector and allow greater use of leasing where it offers good value for money, Mr Lamont said. British Rail, for example, will be allowed to lease £150m of new rolling stock in the next three years in a move that will develop the leasing market for rolling stock and so aid plans for privatisation of the state-owned railway.

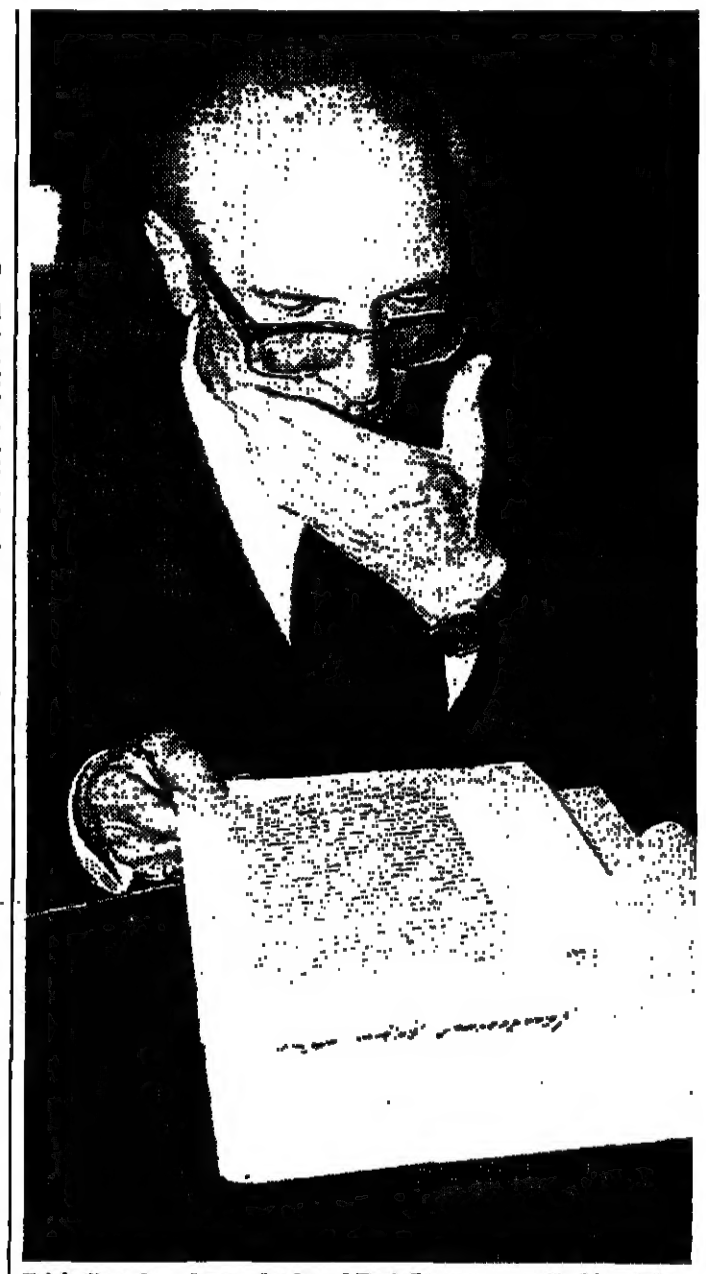
The package received an enthusiastic reception from rank-and-file Conservative MPs, raising the government's hopes that it may at last have a chance to draw a line under the political turmoil of the last two months. Mr John Major, the prime minister, sought to capitalise on the favourable reaction by telling restless MPs on the right of his party that he was determined to focus the government's efforts on boosting economic growth.

At a dinner last night, he told a group of MPs which has led rank-and-file criticism of his strategy that achieving recovery was now "number one priority".

Opposition parties, however, dismissed the autumn statement as a timid response to the recession and warned that the promise squeeze on public spending was likely to drive the economy further into slump.

There was private acknowledgement among ministers that the success of the package – and the government's political fortunes – now depended critically

Continued on Page 18



Erich Honecker, former leader of East Germany, awaits his trial in Berlin for the manslaughter of 13 would-be escapees Page 3

Japanese managers to take pay in product vouchers

By Robert Thomson in Tokyo

ABOUT 6,500 managers at NEC, the Japanese electronics company, are to make an important contribution to its sagging sales figures by taking part of their pay in vouchers which can be swapped for an NEC home computer or television set.

There is an honourable tradition of Japanese workers taking pay in corporate kind. Staff at Matsushita Electric set the standard in prewar days by accepting light bulbs instead of yen when times were tough.

With times tough again, NEC and Sanyo Electric, another electronics manufacturer, are asking managers to take part of their year-end bonuses, an important component of the Japanese salary, in product vouchers worth between Y100,000 ($800) and Y300,000 ($2,400).

When such vouchers were last issued, by Matsushita and Mitsubishi Electric in the middle of the yen appreciation crisis six years ago, a small secondary market quickly developed. Matsushita managers' homes usually are already well stocked with their employer's products, so the vouchers were sold at a discount to friends or given to relatives.

This year, NEC employees at or above the level of section chief must take at least part of their bonus in vouchers. Ordinary workers will receive a 0.03 per cent increase on last year's final bonus, which was equivalent to about 2¼ months' salary.

"The idea of the 0.03 per cent increase was to improve morale among the workers. If bonuses were to fall, it would seem that we have real problems, but things are not that serious," an NEC official said.

Sanyo has asked senior managers to take a 10 per cent bonus cut and accept another 10 per cent in products such as rice cookers or vacuum cleaners. Other companies, including Hitachi, have cut executive pay by between 10 and 20 per cent and curbed the corporate contribution to their karaoke and golf habits.

Electronics manufacturers are having a difficult year. First-half profits were down by 73 per cent at Mitsubishi Electric, 71 per cent at NEC and 51 per cent at Matsushita. Sanyo is expected to report a loss in its financial year which ends on November 30.

The Ministry of Finance made another gesture this week to enable employees to make a humble contribution to the corporate good by relaxing controls on share ownership programmes, usually "clubs" with compulsory membership and, lately, diminishing returns on the investment.

It is common for companies to expect workers to devote 5 per cent or more of their salaries to stock purchases. Under the new law, companies can raise the percentage at will to prop up prices in an ailing Tokyo stock market.

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OECD complains of confusion in financial markets over central bank practices

Swiss monetary policy under fire

By Ian Rodger in Geneva

SWISS monetary policy has been sharply criticised by the Organisation for Economic Co-operation and Development.

The OECD suggests in its annual examination of Switzerland that the current policy of the Swiss National Bank (SNB) leads to confusion in financial markets about exchange rate and monetary policy objectives and may be an unreliable way of achieving the central bank's economic objectives.

"It would therefore seem desirable to enhance the transparency of monetary policy in the short run, beyond the current practice of announcing quarterly projections of the monetary base (notes in circulation and sight deposits held at the central bank)," the OECD says.

It recalls that the monetary base became a misleading indicator in the late 1980s after Switzerland had introduced an electronic clearing system. The SNB then abandoned annual targeting in favour of medium term targeting.

The new system has severe drawbacks, according to the OECD. "One problem is the absence of reliable evidence that the envisaged expansion of base money over the medium term will be compatible with sustained growth of output under conditions of stable prices. Moreover, it is unclear to what extent there is scope for the SNB's intention to take exchange rate considerations into account."

The OECD says M1 might be a more satisfactory intermediate monetary aggregate to use as a target. It also appears to favour the controversial idea of pegging the Swiss franc to the Ecu or the D-mark. It acknowledges that this would entail the loss of monetary policy autonomy which in the past may have allowed Swiss interest rates to be lower than those elsewhere. "But, given the prospects of greater integration with the rest of Europe, it is uncertain whether this interest differential can be safeguarded in the future."

The OECD also attacks government tolerance of widespread cartels and other practices that restrain free competition. It suggests that these practices are largely responsible for the excessively high prices of almost everything in the country. "According to purchasing power parity calculations, the overall domestic price level in Switzerland is 40 per cent higher than the average for the whole OECD area for private consumption," it states.

The report acknowledges that Swiss competition policy is becoming tougher, and that it will become tougher still if the Swiss ratify the European Economic Area (EEA) treaty in a referendum next month. The country would then be obliged to take on European Community competition law in most business activities.

However, a comprehensive reform of Swiss law and policy is still needed to enshrine the notion that collusive agreements should be banned in principle and to insist on transparency in the execution of competition policy.

The report says that the prospects for improvement of the Swiss economy, which has suffered from a nasty combination of recession, high inflation and deteriorating public finances for nearly two years, are now good.

It forecasts 1.1 per cent real growth for the economy next year after a meagre 0.2 per cent this year, triggered mainly by continued strength in foreign demand. Private consumption will also benefit from the adjustment of contractual wages to past price inflation, it says.

Sweden erects banking defences

Christopher Brown-Humes reviews a package of support measures

SWEDEN has reacted to its banking crisis in a similar fashion to September's currency crisis. Last week's package of support measures for its ailing financial sector indicate that it will defend the banking system whatever the size of the bill.

Two months ago, in a similar display of resolution, Sweden made it clear that it would defend the krona against currency speculators at any cost - even 500 per cent overnight interest rates.

The promise of unlimited assistance is meant to send a clear signal to the international banking community that Sweden will do whatever it takes to ensure the obligations of its financial sector are met. It has not quantified the amounts, but the cost will certainly run to billions of kronor.

Credit losses across the financial sector have already reached SKr100bn for 1990-1992 and could well total as much again over the next few years.

The assistance package will inevitably worsen the budget deficit, increasing the likelihood of further government austerity measures, in addition to the two crisis packages announced in September.

It is, of course, something of an embarrassment for the country's centre-right coalition, which has espoused free-market principles, to have to mount such a ball-out. Sweden, with its broadly-based economy and conservatively managed banking sector, had expected to avoid the sort of bank rescue packages that the governments in both Norway and Finland have been forced to undertake.

Events this year have proved otherwise. Sweden has already had to come to the aid of three of its beleagured financial institutions, including Nordbanken and Gota Bank, two of the country's largest banks.

Such developments have clearly shaken confidence in the system, prompting the government to make its support more explicit. Hence, the hurried fashion in which it has put together its support programme over the last two months.

The result is that from early next year a special authority, directly answerable to the government, will be set up to administer assistance to both banks and state-affiliated credit institutions.

Generally, the support will be in the form of loans and guarantees, but a key aim is to have flexibility and the government does not rule out taking over bad debts and making direct equity injections in specific instances.

Essentially, the authority's role will be to nurse back to health institutions capable of survival and to arrange an orderly liquidation of those too weak to make it in the longer term.

The authority can thus be expected to play an important part in the near-term restructuring of the Swedish financial sector, by forcibly linking, for example, parts of one bank with those of another as part of a rescue package.

Critics say the scheme may result in good money being thrown after bad, and that it may stimulate bad lending practices. It may also place a strong bank like Handelsbanken at a competitive disadvantage if some of its rivals are able to gain assistance on favourable terms.

The only safeguard here is the provision that viable banks which obtain state loans will be compelled to repay them on commercial terms, once they are in a financially strong enough position.

Handelsbanken acknowledges that it may be disadvantaged, but says there was no alternative to the plan as a whole.

The key consideration was to soothe the fears of the international financial community about the solidity of the Swedish banking system - and in that at least, the unveiling of the scheme appears to have been successful.

That is the positive aspect. The negative aspect is that, as yet, there is still no sign that the worst of the problems in the banking sector are over."1993 will be another very difficult year for the banking system," says Mr Christer Bergquist, who will be the new authority's director general.

There may be an improvement in some areas, such as real estate next year, but as the economy will still be mired in recession, bankruptcies and problems in the household sector mean credit losses will continue at high levels.

It is as well that the government has put no time limit on its assistance package for the signs are that it will need to be in place for quite a few years to come.

The Swedish economy should start picking up in the middle of next year, although the recovery will be slow and sluggish, according to a new analysis from Gota Bank, writes Christopher Brown-Humes in Stockholm.

The bank says the turnaround will be lead by exports, spreading to other parts of the economy during 1994.

The pace of recovery will not be enough to prevent a third successive year of falling GNP and Gota Bank warns that GNP will fall by 2.1 per cent next year, compared with a decline of just 0.8 per cent this year.

There will also be a sharp increase in unemployment in the next two years, according to the bank. It believes the unemployment level next year will increase to 7 per cent from 5 per cent in 1992, before increasing further to 7.5 per cent in 1994.

New twist in EC saga on tobacco adverts

By Andrew Hill in Brussels

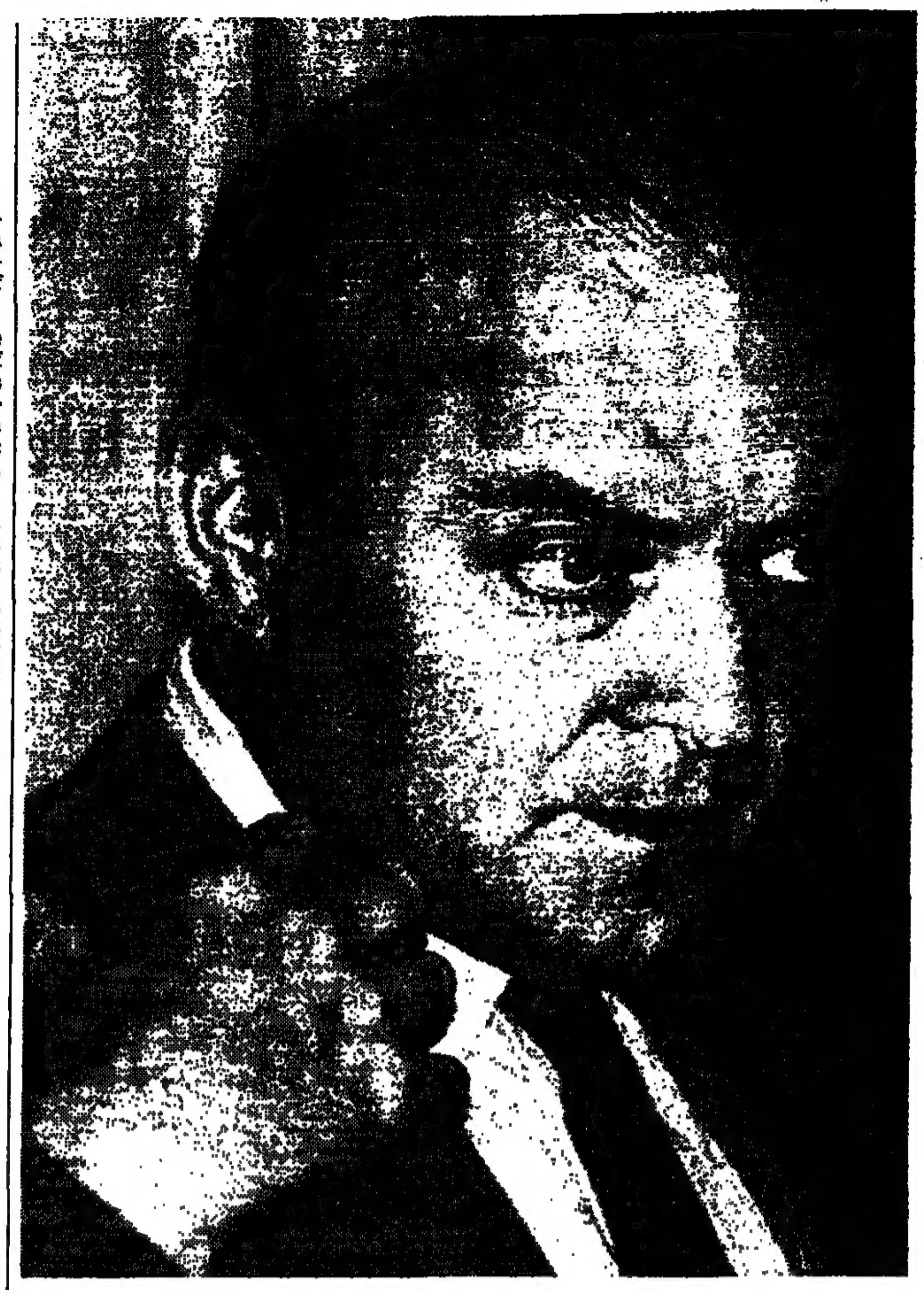
EC countries which have a national ban on tobacco advertising could block imports from other EC members of magazines and newspapers carrying such advertisements, the Commission said yesterday.

The warning came ahead of today's meeting of health ministers at which Commission proposals for an EC-wide ban on tobacco advertising will be discussed for the first time since May.

But a spokesman for Ms Vasso Papandreou, the EC health commissioner, conceded yesterday that Britain, the Netherlands and Germany had not relaxed their opposition to a ban since May. Together, the trio can block approval of the Commission's proposal and no vote is expected today.

The draft directive, which covers advertising, except at point of sale, and sponsorship, is partly intended to prevent national restrictions from hampering the free movement of magazines and journals after January 1, 1993. But advertising agencies, publishers, cigarette manufacturers and the three member states dispute the value and legality of a ban. Denmark and Greece also have reservations.

In a legal opinion for the German Associations of Newspaper and Magazine Publishers, two senior European lawyers this week said the draft directive proposing a ban was "masquerading as a measure designed to ensure the completion of the internal market" and represented "a blatant invasion of the Community into the public health sector." Yet cigarette manufacturers are still concerned if they relax their vociferous campaign, the opposition to a ban might crumble. Five countries have instituted or intend to impose legal restrictions on tobacco advertising. It is unclear whether on health grounds those national restrictions would overrule EC legislation on the free movement of goods after the single market comes into force on January 1.



Cavallo: unease that his reforms are unravelling

Cavallo refuses to be blown off reform path

John Barham interviews the Argentine economy minister

ARGENTINA'S financial markets have been beset by an atmosphere of crisis this week. Persistent rumours of the impending resignation of Mr Domingo Cavallo, the economy minister, have combined with a widespread belief that the government's commitment to economic reform is wavering and a growing unease over the worsening balance of trade.

For the first time since March 1991, the foreign exchange markets pushed the US dollar above its maximum official rate of one peso to close at 1.004 pesos on Wednesday. This week the Central Bank had to sell $106.4m in hard currency, equivalent to 1.6 per cent of its reserves, to support the peso. Argentina has seen a $111.2m net capital outflow so this far this month, while prices on the stock exchange have fallen 13.2 per cent.

Yesterday, markets were calmer, with share prices rising 1 per cent at lunchtime. But sustained demand kept the dollar slightly above its parity with the peso, despite a 5 percentage point rise in interest rates to 28-30 per cent a year.

In the midst of these anxieties, Mr Cavallo reaffirmed in an interview with the Financial Times his unswerving commitment to economic orthodoxy, saying he had "the full support of President Carlos Menem and of the people."

He dismissed fears that Mr Menem's political agenda was interfering with the advance of reform: "President Menem knows that the first sign of populism will lead to a reversion of expectations, capital outflows and inflation, at a phenomenal political cost." Mr Menem wants to amend the constitution in order to run for re-election in 1995.

Mr Cavallo said that while the economy was unlikely to be a winning factor in the 1993 mid-term congressional elections, as it was in 1991, "we will lose the elections totally if we weaken and respond to demands of populism."

He recognised that the elections, scheduled for next September, required him to win Congressional approval for two key reform laws by May, after which "the electoral climate will make it difficult" for the laws to clear Congress.

Union pressure has blocked passage of bills reforming the social security system and the labour market, both of which are seen as necessary to improve the economy's efficiency. Mr Cavallo said the government was "working hard" to win approval for these bills, and the stalled 1993 budget.

Unease that his reforms are unravelling became acute after Mr Cavallo raised import barriers last month and admitted that Argentina would have a trade deficit in 1992 for the first time in 11 years. But he insisted that the protectionist measures were temporary, while permanent reforms of the tax and tariff structure, announced at the same time, would increase exports and investment.

A key objective, he admitted, was to slow imports from Brazil – Argentina's partner in the nascent Mercosur common market – which were rising 5-6 per cent a month. This was an "external shock" that had to be neutralised, he said. Argentina's trade deficit with Brazil hit $900m in August.

Mr Cavallo said that while he maintains his original "political enthusiasm" for integration with Brazil, instability there meant the pace of integration had to slow. This did not mean "that I am thinking of leaving Mercosur and applying to join Nafta: what I say is that all countries must have their options open."

Ecu8bn loan to Italy under review

THE European Community's Monetary Committee will vet the terms of an Ecu8bn ($9.9bn) loan to Italy when it meets next week, Reuter reports from Brussels.

The Committee will examine a proposal from the European Commission that the balance of payments loan to prop up Italy's economy should be split into four equal parts spread over three years, EC sources said.

At present the conditions attached to the loan concentrate mainly on periodic reviews of the progress of Italy's budgetary programme, but the Monetary Committee can suggest further conditions if it deems it necessary.

If, as expected, the Monetary Committee approves the loan, it will go to the November 23 meeting of EC finance ministers for their final decision.

When Italy applied for the loan in early October it implied that approval would help speed re-entry of the lira to the exchange rate mechanism which it left under intense speculative pressure in mid-September.

At the time Prime Minister Giuliano Amato said approval of the loan was likely to be conditional on the government pushing through a 1993 budget which sets a target of L93,000bn ($68.5bn) in savings.

Clinton aides in defence review

By George Graham in Washington

AIDES to Governor Bill Clinton are considering ways of restructuring the US defence establishment to make it readier to engage in multilateral military action.

Defence analysts close to the president-elect and his advisers say they are concerned about the current Pentagon stance on the use of military force in conflicts around the world.

Most senior officers basically seek to rule out US military intervention except in the rarest of cases where they can see an immediate military goal that can be quickly achieved by the use of overwhelming force.

Democrats in Congress, led by Congressman Les Aspin, chairman of the House of Representatives armed services committee, have already opened a debate over the use of force.

Mr Aspin argues that what he calls the "all-or-nothing school," which fears a repetition of the US's unhappy experiences in Vietnam and Beirut if US forces are used in all but the most carefully defined of circumstances, has been weakened because the collapse of the Soviet Union removes some of the threat that small conflicts could escalate into greater wars.

He also warns that the American people may not be willing to pay $250bn or $200bn a year for a military that is not very useful.

"It may be that to maintain a military for the extreme contingencies it will be necessary to show that it is useful in lesser contingencies, too," he said in a recent speech.

Governor Clinton promised, in a Veterans Day speech on Wednesday, to maintain "the strongest and most appropriate defence forces" with advanced technology emphasising air and sea mobility.

But the US media's attention is currently focused on an aspect of Mr Clinton's defence policy that is of less than burning interest to the US's allies: the question of whether homosexual men and women may be allowed to remain in the armed services.

Mr Clinton repeated on Wednesday his pledge to lift the current ban – which has recently been successfully challenged in federal court – after discussions with senior military officers who are unhappy at the proposed policy change.

"I think there are ways we can deal with this that will increase the comfort level of a lot of the military folks here," he said.

Nato, WEU to liaise efforts

MR Manfred Wörner, Nato secretary-general, yesterday said there was no serious rivalry between the Atlantic alliance and the Western European Union (WEU), Reuter reports from Bonn.

He agreed with WEU secretary-general Willem van Eekelen that both organisations had to co-ordinate their work to avoid duplicating efforts.

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Germany will help Croatia house refugees

By Judy Dempsey in Bonn

GERMANY is to help build houses for some of the half a million Yugoslav refugees waiting in Croatia, foreign ministry officials said yesterday. Bonn's action has been prompted by its increasing frustration at the unwillingness of its European Community partners to take more refugees from Bosnia-Hercegovina.

At the same time, Germany will ask EC countries to take part of another group, some 7,500 Bosnian refugees who are either being held in detention camps in Bosnia-Hercegovina, or who have been given temporary, but poor, shelter in Croatia.

In what appears to be a dual strategy aimed at relieving the burden on Croatia, which is refusing to accept any more refugees from Bosnia, and at slowing the influx into Germany, Bonn will spend DM70m (£29m) on building homes in Croatia. It will also send 300 train wagons to Croatia, to act as temporary shelter for the refugees. "We will provide the heating and all the running costs," an official said.

Germany has been at the forefront of EC countries in accepting refugees fleeing the war in the former Yugoslavia. Since last January, nearly 100,000 people from the region have settled in Germany, bringing the total to 200,000 since the war started in June 1991.

But the additional influx of would-be asylum seekers from Romania, Bulgaria, and from some of the republics of the former Soviet Union means that Germany will be hard-pressed to take any greater numbers from Bosnia.

Mr Klaus Kinkel, foreign minister, earlier this week asked the British government to take Bosnian refugees, but officials said the response from EC states had been very slow.

"We have to step up the process in allowing the refugees fleeing the war in Bosnia-Hercegovina to settle in other countries," one official said.

"We have held talks with the United Nations High Commissioner for Refugees and we know that the situation is becoming really desperate, especially now that the winter is coming," he added.

Of the group of 7,500 Bosnian refugees, about 6,000 are still detained in Serb-controlled camps in Bosnia.

Although they are free to move out, they cannot return to Bosnia because their homes have been destroyed, and they cannot travel abroad because Croatia is no longer taking refugees, and EC countries have been unwilling to open their doors to them.

A further 1,500 are living in poor conditions in Croatia.

German officials yesterday said these people would die of cold and starvation, pointing out that Bonn had agreed to take at least 1,000 of them. This may swell to 3,000 when families are taken into account.

ANY GERMAN soldiers involved in attacks against foreigners or spreading racist propaganda will be immediately prosecuted or disciplined, Mr Volker Rühe, defence minister, warned yesterday, Judy Dempsey writes from Bonn.

His statement followed an internal report that 24 conscripts had taken part in attacks against foreign citizens living in Germany. Three of the soldiers are being tried for manslaughter.

Last month, General Helge Hansen, an army commander, wrote to fellow senior officers instructing them to be more vigilant in snuffing out right-wing extremism in the ranks.

Greece seeks to allay international concern about its intentions

Balkan pledge on Macedonia

By Kerin Hope in Athens and Judy Dempsey in Bonn

GREECE has sought to allay international concern about its intentions towards Macedonia by winning support from other Balkan countries for a declaration that the former Yugoslav republic's borders are inviolable. Separately worded announcements by Serbia, Bulgaria and Albania backed a declaration by Greece designed to rebuff Macedonia's claims that its territory is under threat from its neighbours.

Athens is refusing to recognise Macedonia under that name, but it has distanced itself from its traditional ally, Serbia, since Mr Constantine Mitsotakis, the Greek prime minister, rejected a proposal last spring from President Slobodan Milosevic that their countries divide Macedonia.

Mr Mitsotakis stresses that once the problem of the name is resolved, Greece will promote investment and economic co-operation with the republic.

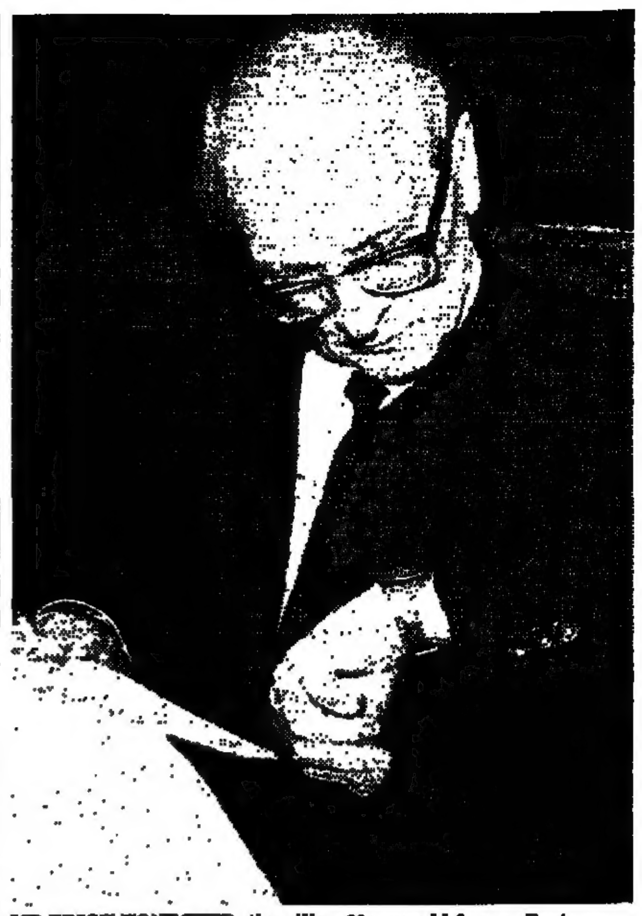
Greece appears torn between wanting to live up to its responsibilities as the only member of the EC and Nato in the Balkans, by playing a peacekeeper's role, and its fears of being out-manoeuvred by one of its neighbours.

The government is well aware that any Greek military initiative in the region would open the way for Turkey to intervene on behalf of the ethnic Turkish minority living in northeastern Greece.

The most persistent Greek worry is that if conflict broke out in Kosovo or Macedonia, it would be impossible to prevent several hundred thousand refugees flooding across the border into northern Greece.

However, the government shows no sign of yielding to pressure from other EC members to drop its objections to recognising Macedonia. Mr Mitsotakis appears ready to compromise but is under pressure from both his conservative New Democracy party and the opposition Socialists.

Germany and Britain are trying to seek a compromise between Skopje, the Macedonian capital, and Athens in the run-up to the EC's Edinburgh summit next month. Government officials in Bonn said yesterday that Skopje should amend its constitution to stress that it had no territorial ambitions; Greece has consistently argued that Macedonia has claims on parts of its northern territory where a Slav-speaking minority lives. The Bonn officials said Athens should accept that the word Macedonia should be used in the new name, but as an adjective not a noun.



MR ERICH HONECKER, the ailing 80-year-old former East German leader, checks his watch at the opening in Berlin of his trial and that of five senior aides on manslaughter charges arising from the fatal border shootings of East Germans trying to flee to the west, writes Leslie Colitt. The proceedings barely began, however, when the trial was adjourned until next Monday because a co-defendant, Mr Willi Stoph, the 78-year-old ex-prime minister, was absent suffering from a heart ailment.

Ceasefire brings relief to Sarajevo

By David White in Vitez, Bosnia

ISOLATED outbreaks of fighting were reported yesterday in Bosnia on the first day of the latest ceasefire agreed earlier this week between Serb, Croat and Moslem military representatives in Sarajevo. UN officers, however, reported that up to nightfall the ceasefire appeared to be generally holding.

Incidents were reported at Travnik, 65 miles west of Sarajevo, and at Bihac in northwest Bosnia, where French troops in the UN's convoy protection operation are based.

Meanwhile, UN plans for escorting relief convoys in Bosnia risk being seriously set back by delays in deploying Canadian troops to the Serb stronghold of Banja Luka. It is feared that because of difficulties with local authorities, deployment may not be possible until February.

The mission is politically crucial since it is the only one of the UN operations in Bosnia specifically aimed at a Serb area. "We have got to be seen to be impartial," said Brig Roddy Cordy-Simpson, chief of staff at the UN's Bosnia-Hercegovina command at Kiseljak near Sarajevo.

The Canadian mission is also crucial to opening up the route from Zagreb to the centre of Bosnia-Hercegovina for humanitarian aid.

UK military planners are meanwhile switching their attention to securing passage through battle lines on main roads. Lt Col Bob Stewart, the British battalion commander, said the army had reached the conclusion that it would be nearly impossible to send sufficiently large amounts of aid along mountain roads.

Three big Russian plants to be sold in next two weeks

By John Lloyd in Moscow

THE RUSSIAN government is to auction off three large industrial plants, among them a large tractor factory near Moscow, in the next two weeks in order to raise the profile of the privatisation programme before the opening of the Congress of People's Deputies on December 1.

The Congress is expected to be highly critical of the government's economic programme, and to demand its resignation. However, Mr Anatoly Chubais, deputy prime minister in charge of privatisation, believes that both managers and the public support the privatisation and that a successful public offering of shares in big enterprises will deflect expected attacks from both moderate and hard-line opponents of the programme.

The three enterprises are being readied for privatisation by their managers, by officials from the state privatisation committee, and by foreign experts. They will be the first parts of Russia's industrial sector to pass from state to private ownership.

The auctions, which have been the subject of intense discussion and debate over the past few weeks, will be limited to Russians.

The government has raised to 80 per cent the percentage of the enterprises which must be sold for privatisation vouchers which are being issued to the whole population. Cash will account for the remainder. The decree will encourage citizens to retain their vouchers, each of which has a face value of Rbs10,000. President Boris Yeltsin ordered the percentage increase in order to endow the vouchers with greater value.

One effect of this is that foreigners wishing to take part in later privatisations will have to acquire large numbers of vouchers, in which a secondary market has already developed.

● Russia yesterday froze its decision to pull out troops from around the southern rebel republic of Chechnya, saying the region had broken an agreement on their withdrawal, Reuter reports.

Ukraine coupon replaces rouble

By Alexander Tkachenko in Kiev and John Lloyd in Moscow

UKRAINE said yesterday it was abandoning the rouble at midnight last night, replacing it with coupons as a stepping stone to introducing a new currency.

Mr Leonid Kravchuk, the republic's president, announced that "the rouble should cease to circulate in Ukraine" from midnight and that it would cease to be legal tender in Ukraine. A new currency coupon, called the karbovanets, will be introduced for all transactions from today.

A government order said accounts in Ukrainian banks would be transferred from roubles to karbovanets coupons.

Holders of roubles were ordered to exchange them for karbovanets within three days in unlimited quantities at an exchange rate of one karbovanets coupon per rouble.

Ukraine announced soon after the collapse of the Soviet Union last year that it would leave the "rouble zone." It introduced coupons early this year, but the rouble stayed legal tender for accounting.

The move to the karbovanets appears to be a half-way house between the rouble and a new Ukrainian currency, to be called the grivna. Mr Leonid Kuchma, the new Ukrainian prime minister, said on television this week that introduction of the grivna would have to wait for the establishment of a stabilisation fund, and for economic reform.

The karbovanets represents a step back for the Ukrainian leadership, which had until recently talked of the imminent introduction of a full-blooded independent currency. Since his appointment Mr Kuchma has taken a sharply different line from Mr Kravchuk in calling for closer co-operation with Russia and has repeatedly called attention to Ukraine's weakening economy.

Japan's trade surplus rises to record $10.9bn

By Charles Leadbeater in Tokyo

A SURGE in Japanese car exports to Europe was one of the main forces behind a 51 per cent increase in Japan's custom cleared trade surplus in October to a record $10.9bn (£7.17bn), according to figures published yesterday by the finance ministry.

The higher-than-expected growth in the surplus was due to continued growth in exports, which were 9.2 per cent up on last year at $31bn and a 5.1 per cent fall in imports to $20.1bn, reflecting the slowdown in the Japanese economy.

The growth in the surplus to $88bn for the first ten months of the year, already $6bn more than the 1991 surplus, is likely to add to international pressure on the Japanese government to stimulate the economy to revive imports.

The surge in car exports to Europe, which was one of the main factors behind a $2.8bn surplus with the EC, is likely to fuel protectionism among Europe's hard-pressed car producers, which are facing serious problems of over-capacity.

While Japanese car exports to Europe and Asia are rising rapidly, export growth to the US is minimal.

Vehicle exports to the EC were 25.6 per cent up on October last year at $753m, while exports of car parts were 43 per cent higher at $166m. Vehicle exports to Asia were 50.7 per cent up at $640m, with exports of motor-cycles up 107 per cent at $91m.

In contrast automobile exports to the US rose by just 1.8 per cent to $2.2bn.

Finance ministry officials believe most of the growth in the value of the overall surplus can be explained by a fall in import prices for commodities and a rise in export prices, in part reflecting the appreciation of the yen over the past year. However, they are braced for the surplus to generate political pressure in the US for the incoming Clinton administration to take a tough line on trade.

The surplus with the US stood at $4.9bn, with exports up 8.2 per cent from last year at $9.3bn and imports down 8.1 per cent at $4.37bn. Exports to the EC were 5.5 per cent up at $5.3bn, with imports 9.8 per cent down at $2.5bn.

China is one of the few countries to be increasing its imports into the depressed Japanese market. Imports from China rose by 10.7 per cent to $1.7bn, while Japanese exports to China were 44 per cent up at $1.16bn.

Raw material imports fell by 4.5 per cent to $2.1bn, machinery and equipment imports were 13.2 per cent down at $3.45bn and mineral fuel imports rose by just 0.2 per cent to $4.42bn.

Farm trade talks set for next week

By David Gardner in Brussels and Nancy Dunne in Washington

EC and US negotiators are expected to try to settle their differences over farm trade and the Uruguay Round world trade reforms next Wednesday and Thursday in Washington.

Mr Ray MacSharry, EC agriculture commissioner, and Mr Ed Madigan, US secretary for agriculture, will resume the farm subsidy negotiations that came tantalisingly close to success in Chicago 10 days ago, while Mr Frans Andriessen, EC external affairs commissioner, and Mrs Carla Hills, US special trade representative, will try to tie up an agreement on other sectors covered by the round, ranging from intellectual property to financial services.

Hopes are high on both sides that this meeting will get the breakthrough on the EC-US oilseeds dispute needed to conclude the six-year round, and avert the threat of a transatlantic trade war.

"We want to be flexible. We can do a deal within CAP (Common Agricultural Policy) reform," said Ms Carol Brookins, a Washington agriculture consultant familiar with the negotiations.

"But we didn't spend more than five years of money, time and energy to cut a deal for one year and then see what happens in the future."

The US intends to levy 200 per cent tariffs on $300m of EC food exports from December 5, as sanctions for Community oilseeds subsidies which the General Agreement on Tariffs and Trade (Gatt) has twice ruled against. The EC has chosen to emphasise continuing the negotiations but foreign ministers of the 12, meeting in Brussels on Monday, left little doubt the Community would retaliate if the US sanctions went ahead.

Ray MacSharry, the EC farm commissioner, is cornered by reporters on his way into EC headquarters for talks with Arthur Dunkel.

Gatt director-general Arthur Dunkel met Mr MacSharry and Mr Andriessen in Brussels yesterday, and is due to meet their US counterparts in Washington on Monday. Mr Dunkel warned that the row could sink any hope of the extension of world-wide free trade promised by the Uruguay Round.

The Commission, which negotiates for the EC, assured Mr Dunkel it intended to make every effort to secure a deal. Evidence of Brussels' intent - after this week's conclusion of the bitter row between Mr MacSharry and Commission president Jacques Delors – is that the Commission has laid plans for a special session to examine any deal for as early as next Friday.

Mr MacSharry, after his meeting with Mr Dunkel, told Reuters news agency that "I am optimistic... President Bush and President-elect Clinton have... said they want a Gatt deal and the same goes for the Commission."

If a deal is not struck before the end of President Bush's term, there are fears that President Clinton would come to office with supporters urging different positions on a number of issues which could require years to re-negotiate. Influential lobby groups would want to strengthen controversial US dumping laws and could take a different approach in the agriculture talks.

S Korea poll may break political mould

Industry may replace the military as the institutional power in politics, writes John Burton

THE South Korean presidential election campaign, formally launched yesterday with the setting of December 18 as the poll date, is the first in more than 30 years not to have a single candidate who has a military background.

Mr Kim Young-sam, the nominee of the ruling Democratic Liberal Party (DLP), is leading in the polls with 30 per cent, five to 10 percentage points ahead of Mr Kim Dae-jung of the main opposition Democratic Party.

Both men stood as opposition candidates in the 1987 election, the first after 16 years of military dictatorship, but lost to President Mr Roh Tae Woo, a former general who is constitutionally barred from serving again.

The candidacy of Mr Chung Ju-yung, the founder of the Hyundai business group, is another significant departure from past practice, since it is the first time that a businessman has stood for president.

Mr Chung formed the United People's Party (UPP) to oppose bureaucratic controls on industry and the associated political corruption.

Mr Chung's challenge is unprecedented. Business has traditionally been subservient to the state, receiving corporate favours in return for political contributions to those in power.

The government initially responded harshly to Mr Chung, who threatened to attract conservative middle-class voters from the DLP.

It launched a campaign of harassment involving credit squeezes and tax penalties, against Hyundai and the Chung family, but declared a truce in August. One reason is that support for the UPP has recently declined from the 17 per cent vote share the party gained in last March's parliamentary elections.

Mr Chung's standing is now put at 10 per cent, the same level as two other minor parties, the Party for New Political Reform and the New Korea Party (NPK). This reflects public distrust of the Korean conglomerates, perceived to have benefited from their close ties with the former military rulers over the last three decades.

Nonetheless, the presence of Mr Chung in the election has prompted speculation that industry will eventually become the new institutional power in Korean politics, replacing the military. That theory appeared to gain credence last month when two other prominent industrialists considered presidential bids.

Mr Park Tae-joon, former chairman of the country's main steelmaker Pohang Iron and Steel (Posco), and Mr Kim Woo-choong, founder and chairman of the Daewoo business group, were both asked to head the NPK, a conservative breakaway faction from the DLP. Both men, political allies of Mr Roh, refused the offer after bowing to pressure from the president, who feared the NPK would split the DLP and deliver the election to the Democratic Party's Mr Kim.

But Mr Park and Daewoo's Mr Kim are still believed to harbour ambitions for the next presidential election in 1997.

Having failed to attract a candidate, the NPK is now holding merger talks with the UPP. If it fails to conclude a joint campaign pact, the NPK is likely to collapse.

The election will mainly be conducted on personalities since there is little ideological difference among the three candidates, who would be considered centre-right by European standards.

Mr Kim Young-sam is in the lead because he represents continuity in government policy, reflecting Koreans' conservative preference for stability.

He argues that his government would be more effective than his opponents' because the DLP has a slim parliamentary majority with 161 seats in the 299-chamber.

There is strong regional opposition against the Democratic Party's Mr Kim, who comes from the south-western Cholla area, traditionally the most underdeveloped and consequently the most politically rebellious part of the country. Many Koreans consider Mr Kim "radical" because of his geographical origins.

UN report urges efforts to stop virus spreading so fast

Asia warned of high costs of Aids epidemic

By Shiraz Sidvha in New Delhi

THE Aids epidemic sweeping Asia will wreak social and economic devastation if left unchecked, the United Nations Development Programme warned yesterday.

In a report released at an international conference in New Delhi on Aids in the Asia/Pacific region, it urged efforts at prevention to reduce the rate of spread of the HIV virus, which causes the disease, and the costs of the condition on society.

The seminar, sponsored by the UNDP, the World Health Organisation and the Indian government, concluded that Aids could seriously threaten the economic well-being of Asian nations, which by the year 2000 would account for 42 per cent of the world's projected 100m cases.

The UNDP urged policy-makers in Asia to focus on broader social, economic and political factors, such as endemic poverty, which contribute to the spread of the virus.

Endemic poverty facilitates the spread of the virus, and is often a cause for migration and family fragmentation. Current research demonstrates that the epidemic appears to be a regressive disease, imposing relatively larger costs upon the poor than on the rich.

The UNDP forecast that Aids would soon have a big impact on the work-place, especially in India and Thailand, where cases are growing at an alarming rate.

Productivity in transport, tourism, entertainment, mining and fishing are likely to be affected, as well as the armed forces and agriculture. Companies would suffer heavy losses in work days, trained manpower, recruitment costs, and burdens on benefit schemes.

A separate economic study on Aids to be released by the UNDP next month shows that lost income because of people dying of Aids ranges from $10,000 per case in India to over $340,000 per case in South Korea. Medical care costs associated with detection and treatment of Aids range from $1,100 per case in India to over $4,000 per case in South Korea.

The study projects the cost of the epidemic in India, where 1m cases are projected by the year 2000, at $11bn. Some sectors are particularly vulnerable, such agricultural sector in Laos, the long-haul truckers in India and Thailand, and migrant contract workers in the Philippines.

The reports conclude that financial and economic costs will be difficult for developing countries to bear unless they develop a fuller understanding of the costs and consequences and allocate resources wisely to counter the epidemic.

Aids and Asia: A Development Crisis, UNDP.
Economic Impact of Aids In Asia, UNDP (to be released in December).

Kenya opposition wins more time for poll nominations

By Julian Ozanne in Nairobi

KENYA'S electoral timetable was thrown into confusion yesterday after the High Court granted an opposition request for more time for nominating parliamentary candidates and criticised the government's attempt to curtail the process.

The main opposition party, Ford-Kenya, which made the request, immediately seized on the court ruling as a victory for the opposition in attempts to ensure that Kenya's first multi-party elections in 26 years, due on December 7, are not hurried or manipulated by the government.

The opposition has consistently maintained that the government of President Daniel arap Moi is trying to sway the electoral process in its favour and exploit a divided and ill-prepared opposition.

The High court's decision overturned the government's attempt to shorten the legal period for nomination of candidates from 21 days to 10 days from the date of the announcement of the polls, which was to have expired today.

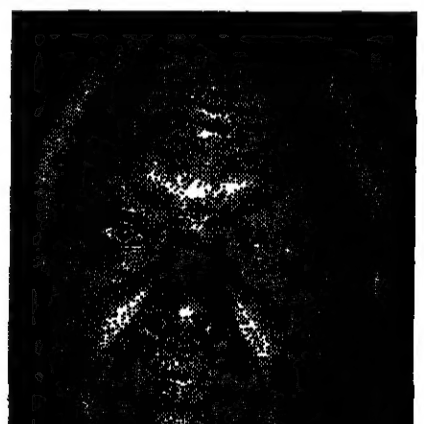
Attempts by the opposition to meet the 10-day deadline have been disorganised and marred by violence.

Justice Thomas Mbaluto said that Mr Amos Wako, the attorney-general, had acted illegally in amending the constitutional provisions for nomination of candidates without parliamentary approval.

Diplomats and political analysts in Nairobi said that in the light of the ruling it was now unclear if the December 7 date for the polls could be observed.

Mr Wako said the government would not appeal against the decision and Mr Justice Chesoni, the chairman of the National Electoral Commission, said he would announce a new timetable for nomination of parliamentary and presidential candidates.

Since Mr Moi legalised multi-party politics a year ago he has continued to keep the opposition and the country in the dark about the government's electoral plans. Before last week's announcement of the polls he described the revelation of the date as his "secret weapon".



Moi: kept opposition in the dark

Mr Jaramogi Oginga Odinga, presidential candidate of Ford-Kenya, said yesterday the High Court decision had exposed the government's "mischief" and destroyed Mr Moi's secret weapon. Mr Odinga called on Mr Chesoni immediately to gazette the polling stations, publish the names of all returning officers and their deputies and consult the opposition further on the organisation of the elections.

Unita troops close in

TROOPS belonging to Mr Jonas Savimbi, leader of the opposition Unita movement, were yesterday reported closing in on a key southern city, AP reports from Luanda.

Government military officials said the soldiers of the National Union for the Total Independence of Angola (Unita) were marching on the port of Benguela, some 500km south of Luanda.

Government military officials fear Mr Savimbi's strategy is to cut Angola along the 1,350km Benguela railroad and take the southern half. The railroad starts at Benguela harbour and passes through Huambo, Angola's second city and the Unita leader's stronghold, Cuito and Luena.

Unita forces were also reported to be pressing in on the north around the oil-producing town of Soyo. One of the captured provincial capitals is Caxito, only 60km northeast of Luanda.

Mr Savimbi told Portugal's Radio Nova. "I guarantee to the United Nations my will that there should be no more war. But if I am provoked, I have the capacity to fight for 10 more years."

Mr Savimbi's fighting comments came as Mr Marrack Goulding the UN peacekeeping chief, prepared to leave Angola after a mission to preserve accords that ended 16 years of civil war which shattered this once-prosperous former Portuguese colony.

China condemns Hong Kong politicians

By Simon Holberton in Hong Kong

CHINA yesterday hit out at Hong Kong's local politicians for supporting proposals made by Mr Chris Patten, the colony's governor, for more democracy – but won little favour for itself in the process.

Xinhua News Agency, Beijing's unofficial embassy in Hong Kong, said the Legislative Council (LegCo) had no right to approve a resolution which ran counter to agreements and understandings reached between China and Britain. LegCo was a "consultative body" only, it said.

Xinhua further alleged that the vote in LegCo on Wednesday was carried out under pressure from the Hong Kong government – a charge strenuously denied by the government.

On Wednesday night, legislators voted 32 to 21 in favour of a motion supporting Mr Patten's proposals for more democracy in elections due in 1995. They also called on Britain and China to resume talks.

But China won few friends in Hong Kong with its claims. Representatives of groups that had voted for and against the motion criticised Beijing's intervention.

Mr Ronald Arculli, a conservative politician who was in the minority, defended LegCo's right to debate Mr Patten's proposals and express a view. He pointed out that LegCo was a law-making institution and not a consultative body to the government.

Mr Patten, who was in Vancouver yesterday, said he thought Hong Kong people wanted a rational discussion rather than empty threats.

He said the 1984 Sino-British Joint Declaration and the 1990 Basic Law – Beijing's constitution for the colony after it reverts to Chinese sovereignty in 1997 – refer to the executive branch of government being accountable to the legislature.

Australia set to announce job creation measures

By Kevin Brown in Sydney

AUSTRALIA'S Labor government is expected to announce an increase in spending on job creation today following a bigger-than-expected rise in unemployment to a post-war record of 11.3 per cent.

Mr Paul Keating, the prime minister, will ask the federal cabinet to raise spending on training and bring forward infrastructure projects announced in his February economic statement.

Mr Keating said the economy was recovering slowly from the 1990-91 recession, but the government would "press on with an expansionary fiscal policy to deal with unemployment".

However, economists said the government's room for manoeuvre was limited by its need to restrain growth in the forecast budget deficit of A$13.4bn (£6bn), compared with A$9.3bn in 1991-92.

An easing of monetary policy is also unlikely because of the recent weakness of the Australian dollar, which has fallen by about 13 per cent against the US dollar since November 1991.

Most commentators expected unemployment to increase in October from the September level of 10.8 per cent. But none forecast that the rate would exceed the previous post-war record of 11.1 per cent in June.

The government said the increase was due to a change in the statistical method used to calculate the figures and a rise in the participation rate, which measures the proportion of the workforce seeking work.

Ministers pointed out that the number of people in work increased slightly. However, the figures showed that the number of unemployed was only 20,000 short of the politically damaging 1m level.

The size of the increase put an end to speculation that Mr Keating might call a federal election before Christmas to capitalise on a recent improvement in Labor's popularity.

NEWS IN BRIEF

German tourists attacked in Egypt

FIVE German tourists and two Egyptians were wounded yesterday when gunmen described by police as Moslem militants opened fire on their bus in Qena in the southern Nile valley, Reuter reports from Cairo.

It was the fourth serious attack on tourists since Moslem militants fighting an underground war with the government warned in September that tourists would not be safe in Qena province, site of some of Egypt's most famous Pharaonic temples and tombs.

An interior ministry statement blamed "extremist elements," the authorities' usual term for Moslem militants. It said five Germans, the Egyptian driver and an Egyptian passer-by had been injured.

The government has reacted vigorously to the spate of attacks on tourists, promising to fly helicopter patrols over tourist areas and vowing even tougher police measures against the militants.

This week it announced that all mosques would be put under state control and police rounded up 150 militants in the province of Assiut, the province north of Qena and the main theatre of militant violence. Officials expect 4m tourists to visit Egypt in the year to July 1993, earning the country $4bn.

El-Gama'a el-Islamiya (the Islamic Group) has claimed responsibility for three previous attacks on tourists.

Dutch Maastricht vote

The lower house of the Dutch parliament was due last night to vote in favour of ratifying the Maastricht treaty by a large majority, Ronald van de Krol writes from Amsterdam.

The Christian Democrats and the Labour party, partners in the governing centre-left coalition, had said in advance that they would support the treaty, as did the main opposition party, the Liberals. Mr Frits Bolkestein, Liberal parliamentary leader, has said ratification was a "foregone conclusion." The treaty must still be approved by the upper house of the Dutch parliament, where it is also expected to win a big majority.

Reynolds warns on EC aid

Irish prime minister Albert Reynolds said yesterday that the European Community could not open negotiations with prospective new members until agreement is reached on additional aid for poorer EC countries, Reuter reports from Bonn.

Speaking after talks with Chancellor Helmut Kohl of Germany, he said that with Europe's highest unemployment rate, Ireland wanted agreement on increasing the EC's so-called structural funds and creating a new cohesion fund to help poorer members.

"Our position was that if they weren't dealt with we wouldn't be supporting enlargement," he told a news conference.

Mr Reynolds said that in order to get agreement at next month's EC summit in Edinburgh on opening membership negotiations, there had to be agreement on the so-called Delors II package on financial aid to poorer member states.

SA corruption accusations rise

South African president F.W. de Klerk's white government has reeled under renewed revelations of chaos and corruption in the black homelands that were cornerstones of apartheid, Reuter reports from Cape Town.

Former magistrate Burt Parsons said in a nine-volume report to de Klerk yesterday that white-led police in the KwaNdebele homeland believed their primary role was to prop up a black administration sympathetic to Pretoria. Exposing apartheid excesses including the murder and detention without trial of children as young as 11, Mr Parsons said: "The evidence points...to serious, even extremely serious, offences...by police officers."

Bonn, Sofia repatriation accord

Germany will pay Bulgaria to repatriate thousands of its nationals refused political asylum here, Reuter reports from Bonn.

German interior minister Rudolf Seiters and Bulgarian deputy social affairs minister Jordan Christoskov signed an agreement committing cash-strapped Sofia to take back disqualified asylum-seekers with German financial aid of DM28m ($17.7m) over the next five years.

Similar agreements signed with Poland and Romania have been criticised for appearing to legitimise demands of rightist groups for mass deportations of asylum-seekers.

Bolivia and Peru in trade accord

Bolivia and Peru have signed a free trade agreement, Chris Philipsborn reports from La Paz. The treaty marks the tentative first step in Peru's attempts to restore trading links with its neighbours since it dropped out of the Andean trade pact in July.

Tariffs on some 6,000 products are to be axed. However, as a concession to the Peruvian agricultural sector, tariffs of 8 per cent will be maintained on soya and sunflower oil.

France cuts interest rates

By David Buchan in Paris

FRANCE yesterday lopped another quarter percentage point of its official interest rates, with Mr Michel Sapin, the finance minister, declaring this second cut in two weeks to be "a sign of confidence in our economy and our currency".

The Banque de France lowered the regular intervention rate at which it lends to commercial banks from 9.35 to 9.1 per cent, and its repurchase rate for marginal lending to the banking system from 10.25 to 10 per cent. There was little reaction from the money and stock markets, which had largely anticipated the move. The franc continued to trade at below FFr3.38 to the D-Mark, and share prices rose slightly.

Mr Sapin said the French central bank had now "not only recovered all that it had spent" defending the franc against speculative attack in September, "but had also been able to increase significantly the level of its foreign exchange reserves". The minister claimed this showed the franc had emerged stronger from its September crisis and "it therefore has a real potential for appreciation". Such potential is, however, unlikely to be realised while German interest rates remain high.

Mr Sapin would not be drawn on the prospects for German rates except to say the trend in European rates in general changed when France approved the Maastricht Treaty on September 20.

The removal of uncertainty had paved the way for lower rates in a number of countries, he said, adding: "Today's rate cut must be seen in the European context."

The previous quarter percentage point cut in rates, on November 2, came after a period of tension in which the repurchase rate had risen as high as 13 per cent.

Prime Minister Pierre Bérégovoy has said his government would lower interest rates when possible to give France's sagging economy a boost, but raise them when necessary to keep the franc strong. Carrying out the second leg of this policy will become steadily harder as the ruling Socialists head into the campaign for parliamentary elections, which look set for March 21 and 28 next year.

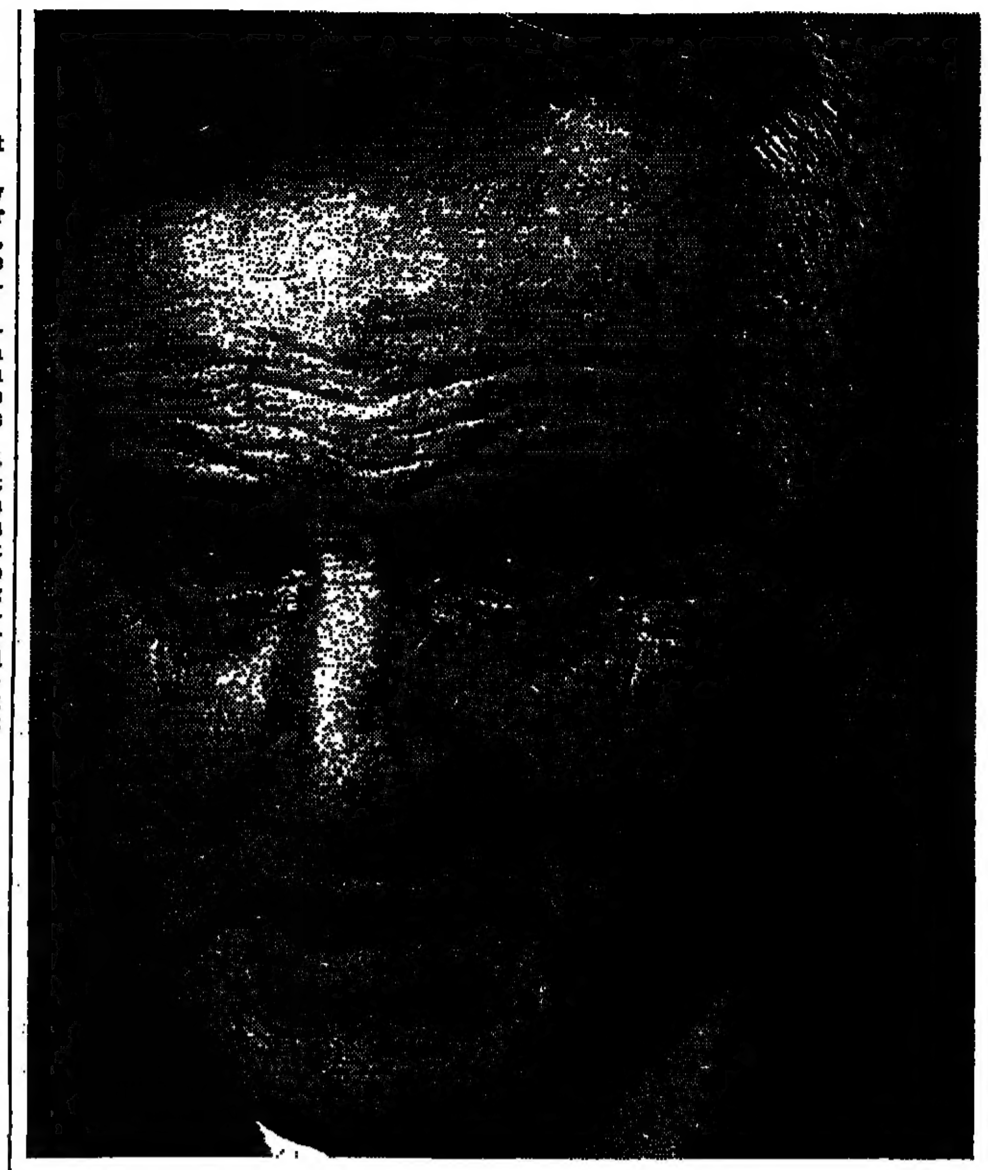
FABIUS TO FIGHT BLOOD SCANDAL

FRANCE'S ruling Socialists yesterday rallied behind party leader Mr Laurent Fabius vowing they would not let him be made a scapegoat for a scandal over Aids-tainted blood transfusions, Reuter reports from Paris.

Mr Fabius, who was prime minister in 1985, when more than 1,200 haemophiliacs were infected by transfusions from state blood banks, told party colleagues he had no intention of resigning and would fight back before a parliamentary High Court.

The opposition has demanded that Mr Fabius and the former ministers of health and social affairs, Mr Edmon Herve and Ms Georgina Dufoix, stand trial before the parliamentary court for *their alleged political responsibility in the blood affair*.

An opinion poll, taken after health officials were convicted last month for allowing contaminated blood to be used, showed 75 per cent of voters wanted the politicians to stand trial.



Ashley Ashwood

ALBERT REYNOLDS: a majority believe he has precipitated an unnecessary general election

Irish poll shows fall in PM's popularity

By Tim Coone in Dublin

MR Albert Reynolds, the Irish prime minister, has suffered a new blow to his re-election hopes with the publication of the latest nationwide opinion poll showing a sharp drop in support for his Fianna Fail party and his own personal popularity hitting a new low.

The poll published yesterday in the Irish Times, carried out by the Market Research Bureau of Ireland, shows support for Fianna Fail down from 49 per cent to 40 per cent over the past six weeks, and Mr Reynolds' leadership rating down from 60 per cent of voters satisfied to 31 per cent.

The poll was conducted last Monday. It remains to be seen whether a I£1bn ($1.6bn) spending package announced by Fianna Fail this week, as part of its manifesto, will enable it to turn the tide.

Mr Reynolds has staked his political future on winning an absolute majority in the November 25 general election, but will require at least 47 per cent of the vote to do so.

The poll also indicates that the majority of the electorate did not think a general election was necessary, and that most believe Mr Reynolds was responsible for precipitating it, in the "feud of honour" with his coalition partners.

Puerto Rico sees gains in Nafta

By Canute James

PUERTO RICAN concerns that the island's export markets in the US could be endangered by Mexico's participation in the North American Free Trade Agreement (Nafta) have eased with indications that the island could gain from the trade pact.

Puerto Rico's exports to the US last year were valued at about $17bn, accounting for 85 per cent of all the island's exports. But government officials and economists had feared that earnings from exports would be reduced because of direct competition from a more cost-efficient Mexico.

A study commissioned by the island's development bank, however, has concluded that, if Nafta were to be implemented, Puerto Rico would have a clear advantage over Mexico in the US and Canadian markets in pharmaceuticals, electronic components and accessories, professional instruments, electronic computing and rum distilling.

This conclusion, said the study done by KPMG Peat Marwick of the US, is based on comparisons of the return on investments in Mexico and Puerto Rico. "In pharmaceuticals, the estimated rate of return to a Puerto Rican investment... is about 65 per cent, whereas after Nafta the rate of return to an investment in Mexico making the same product for the US market is about 32 per cent," said the study.

It suggested, however, that Puerto Rico will find it hard to compete successfully with Mexico in other sectors. In the clothing sector, for example, the rate of return on investments in Mexico will be 50 per cent with the implementation of Nafta, while the rate in Puerto Rico will be 30 per cent.

There will be similar disadvantages for Puerto Rico's textile, tuna and leather footwear industries, the report concluded.

Thessaloniki invests in future as a transit centre for Balkans

Greece's largest cargo-handling terminal is taking a long-term view in undertaking a big development programme, writes Kerin Hope

BULLDOZERS are churning up quaysides at the port of Thessaloniki, manoeuvring around steel plates bound for the former Yugoslav republic of Macedonia and containers from Bulgaria. A Dr30bn ($144m) development programme, the largest infrastructure project in northern Greece, is under way to make the port a transit centre for the Balkans.

However, Thessaloniki accepts that it must take a long-term view of the region's prospects. UN sanctions against trade with Serbia have wiped out a sizeable amount of business since July, while the former communist Balkan countries are trading less as they apply market reforms.

"It could take till the end of the 1990s for this area to recover. But by then, Thessaloniki will be in a position to handle a large percentage of transit trade in south-east Europe," says Mr John Maronidis, the director of port operations.

Thessaloniki, Greece's largest cargo-handling terminal, lies at the centre of the Thermaic Gulf in the north Aegean. Only a few hours' drive from Bulgaria and Macedonia, it is a more convenient outlet for both countries than ports on the Black Sea.

Last year, Thessaloniki handled 13.9m tonnes of dry and liquid cargo. For the first seven months of 1992, dry cargo volume increased by 15 per cent and and liquid cargo, mostly oil, by 11 per cent.

Despite a sharp fall in Bulgaria's foreign trade, with exports down last year by 70 per cent and imports by 40 per cent, Thessaloniki's free zone is handling an increasing amount of Bulgarian cargo in transit. Last year's total of 57,000 tonnes was matched in the first eight months of 1992.

Yugoslav goods – mainly Macedonian – totalled 698,138 tonnes last year, compared with 677,837 tonnes for the first eight months of this year.

Trade with Macedonia is not affected by Greece's refusal to recognise its northern neighbour under that name, though oil shipments have been held up since August following accusations that oil was reaching Serbia from Greece through Macedonia. Greek sensitivities over nomenclature are assuaged by stamping transport documents from Macedonia as "unrecognised" by Greek authorities.

Thessaloniki has benefited from the lifting of transport restrictions in Yugoslavia and Bulgaria in the past two years. The obligation on exporters to use state-owned enterprises meant goods followed roundabout itineraries imposed by the government.

Although Bulgarian and Romanian ports are now trying to attract more trade by offering tariff discounts, they suffer from labour problems and severe shortages of equipment.

However, Thessaloniki, a state-controlled port, is not without labour difficulties of its own. The 1,000 stevedores still work only one daily shift, although the container terminal operates on a 24-hour basis.

This will change as the development programme advances. As one of the few profitable state enterprises, with annual earnings of some Dr1bn, Thessaloniki port is scheduled for privatisation by 1995.

By that time, the harbour will be two metres deeper and the main quay will have been extended by 500 metres. A Dr5.2bn landfill project will expand warehouse space in the free zone, and a new railhead, the overland link with western Europe, is being built within the port precinct.

Major pressed on Iraqi arms trade

By Ivo Dawnay, Political Correspondent

MR JOHN MAJOR was thrown on to the defensive yesterday as opposition leaders pressed him to reveal how much he knew of arms-related machinery sales to Iraq and when he first became aware of it.

His claim that the 1985 government guidelines may not have been breached by British exporters provoked audible gasps of disbelief in the House of Commons.

Shaken by persistent questioning from Mr John Smith, the Labour leader, the prime minister's conceded that he met Mr Alan Clark in late 1990 to discuss newspaper reports that arms-related exports to Iraq were taking place.

He insisted, however, that Mr Clark, then defence minister, had dismissed as "totally false" reports alleging he had advised companies to conceal arms-related equipment sales.

Mr Major said Mr Clark had taken a similar position in his written testimony to the Matrix Churchill trial, adding that it was only when the former minister gave oral evidence that he had had "any reason to believe" otherwise.

Mr Paddy Ashdown, the Liberal Democrat leader, said Mr Major had substituted an explanation "with a smoke-screen and a scapegoat."

Referring to a letter he received from Mr Major on December 6 1990, Mr Ashdown underlined that the documents revealed in the trial included one, dated June 1990, that openly discussed machine tools being "used for munitions manufacture".

The memo, from Mr Nicholas (now Lord) Ridley to Mrs Margaret Thatcher, was copied to a key Cabinet committee on which Mr Major sat as chancellor of the exchequer.

Mr Major yesterday insisted that his December 1990 letter made clear the Matrix Churchill case was subjudice and he could not comment on it.

Mr Ashdown, however, has pointed out that breaches of the guidelines by other companies were also covered in the memo. "The clear message of the Prime Minister's letter to me of 6 December, 1990 was that the rules were being observed and that, with the possible exception of the firm under Customs and Excise investigation, no machine tools were exported from Britain to Iraq and subsequently used to produce 'lethal' defence equipment," he said.

"This is now known to be incorrect and it seems clear that the government and the prime minister knew so at the time."

One government observer said last night that it was more than possible that, when chancellor, Mr Major's private office did not draw his attention to the Ridley memo.

But he added that, given the 500 pages of civil service and ministerial discussion of the issue released by the court, it is less likely that Mr Major was kept entirely "out of the loop" when he succeeded Mrs Thatcher as prime minister.

● The Customs and Excise Department yesterday abandoned its final Iraq-export prosecution in the wake of the Matrix Churchill affair – dropping its case against Mr Keith Bailey, chairman of BSA Tools of Birmingham.

Mr Bailey had been facing a single charge of evading export controls in selling machine tools to Iraq between September 1988 and March 1989.

Mr Allan Moses QC, who also prosecuted in the ill-fated Matrix Churchill case, told an Old Bailey judge that after considering the evidence from that trial he was of the firm view that the only proper course was to abandon proceedings against Mr Bailey. A formal Not Guilty verdict was returned by the judge, Mr Justice Garland. Mr Bailey's costs were awarded from public funds.

Britons decide saving is the leading family value

Official figures deflate hopes of increase in spending writes Richard Evans

BRITONS are spending less on food and clothing and more on their homes, transport and leisure according to the latest government statistics published today.

There are also indications that the country is saving more in spite of government hopes that a rise in consumer spending would help pull Britain out of recession.

The wealth of statistics contained in the annual report on family spending compiled by the Central Statistical Office (CSO) shows average weekly household expenditure last year was £259, an increase of 4.8 per cent on 1990. But with inflation running at 5.8 per cent over the same period, the figures represent a decline in spending in real terms.

At the same time, average gross weekly income rose by 8 per cent to £363, supporting theories that more people were saving money rather than spending it.

The statistics, gathered from a representative sample of 7,000 households across the country with each adult keeping a detailed diary of all expenditure, give a fascinating glimpse of how people spend their money.

They also highlight the great differences in income and in spending patterns between the wealthier and the poorer sections of society.

The average gross weekly income of households in the top one-fifth of the income range, for example, was £825 compared with an average £76 for the lowest fifth. Households where the income was in the lowest fifth received three-quarters on average from social security benefits.

The survey found the number of people earning money from investments had almost doubled in the last 30 years, from 3.6 per cent in 1971 to 6.5 per cent last year, while income from salaries over the same period dropped from 73.9 to 61.2 per cent.

There were also big differences in the money families set aside for various items, with high income homes spending £21.53 a week on alcohol and £73.63 and £73.63 on food, compared with £2.91 and £21.07 respectively for the lowest earners.

In general, high income families spent relatively more on clothing, motoring and leisure while low earners spent more on housing, power, and food.

Food and housing continued to be the two largest items of expenditure, and together made up nearly 40 per cent of all spending. However, money spent on food has dropped from 33 per cent of the total weekly budget in 1957 to just under 18 per cent last year.

Expenditure on clothing and footwear also dropped, from about 10 per cent in 1957 to slightly more than 6 per cent last year, while the amount spent on housing and motoring doubled in the same period. The amount spent on fuel and power has remained steady.

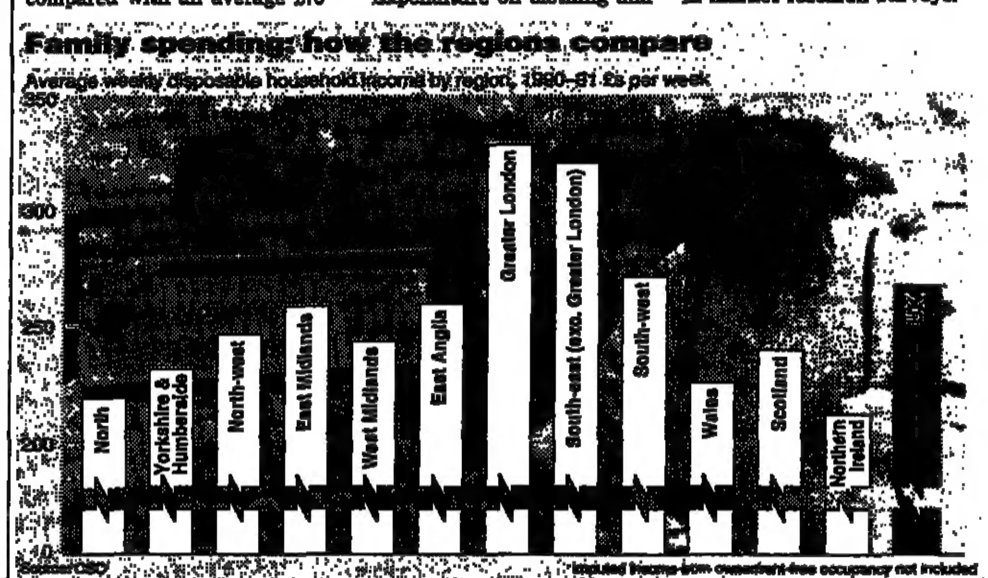
The survey found people in Northern Ireland spent most on fuel, light and power bills with an average weekly expenditure of £14.81 a household. The areas where the least was spent were the north with £11.30 and London with £11.27.

Households paid an average £24.96 in 1991 in interest on credit cards, and average weekly betting payments were £1.44. However, average winnings were only 81p.

Households in the UK have been getting smaller, and now only a tenth conform to the popular image of the average family of two adults and two children. The average last year was 2.42 people per household, the lowest figure recorded since the survey was started in 1957. The corresponding figure 25 years ago was over three.

Nearly one in three households are now single people, twice as many as 30 years ago, and just over two-thirds of households are owner occupiers. Scotland has the lowest proportion of owner occupiers at just under 50 per cent.

The data collected in the survey, which includes a notional rent for housing, is used to create the representative basket of goods and services from which the retail prices index is compiled. It is also used a lot in market research surveys.



Regions put chips on the table

MORE fish and chips are consumed in Yorkshire and East Anglia than anywhere else in the country, the Welsh drink the most tea and the Scots smoke the most cigarettes, according to comparisons of regional spending patterns, writes Richard Evans.

Average weekly household expenditure throughout the country was £253.10, but it ranged from £210.52 in the north to £292.06 in greater London. Spending on food was highest in London at £51 a week and lowest in the north at £41.

Households in East Anglia and Yorkshire and Humberside set aside an average 71p a week for their cod and chips, but the people of Northern Ireland spent only 29p.

The biggest drinkers were in the north-west, where households spent £12.45 a week on alcohol. This compared with £7.99 in greater London and a sober £7.55 in Ulster. However, Londoners easily beat rivals in drinking wines and spirits, spending £5.20 per household.

The heaviest smokers were in Scotland, where weekly household expenditure on tobacco averaged £6.14 compared with £4.11 in the south-west and £3.90 in East Anglia. There was a different pattern for cigars and snuff where the biggest fans were the Welsh.

The Welsh also topped the league for tea-drinking, spending 63p a week on the national brew. The Scots spent least on tea at 47p a week, while East Anglians and northerners spent the most on coffee – 55p – compared with only 33p in Northern Ireland.

Households throughout the UK spent on average £1.76 a week on hairdressing and beauty treatments. People in the south-east spent £1.97, compared with £1.34 in Wales and the north.

UK jobless total rises to 2.87m

By Emma Tucker, Economics Staff

UNEMPLOYMENT rose by less than expected last month, but the number of people out of work and claiming benefit reached its highest level for 5¼ years.

Another fall in average earnings growth to its lowest level since 1967 will, however, heartened the government.

The seasonally adjusted rise of 24,200 in unemployment in October took the total to 2.87m, a level last seen in May 1987.

Although the rise was the smallest since June, another drop in vacancies suggested further big losses are likely before the end of the year.

Vacancies at Jobcentres, accounting for about a third of all vacancies, fell by 2,500 in October to 97,600, the lowest level for 11 years.

The number of people without work has risen by more than 1.2m in the 30 months since unemployment started to rise. It is estimated to be growing at a rate of between 30,000 and 35,000 a month with the latest increase leaving the seasonally adjusted unemployment rate at 10.1 per cent. Unadjusted, the employment figures fell by 32,954 to just over 2.8m.

Mr Frank Dobson, shadow employment secretary, said: "Britain has now suffered 2½ years of unrelenting job losses and up to now the government hasn't raised a finger to help."

Mr Michael Forsyth, the employment minister, predicted more jobs would be created when business was able to take advantage of lower interest rates, denying election pledges on improving the economy were being broken.

One explanation for the lower-than-expected rise in October was that adults and students unable to find jobs enrolled on further education courses. This would disqualify them from the official figures which only count those claiming benefit as unemployed.

In the year to September, average earnings grew by 5¼ per cent, a fall of 0.25 per cent on August. This compares with growth in average earnings of 7.75 per cent a year ago.

Employment in manufacturing continued to fall. In September it dropped by a seasonally adjusted 32,000, a smaller fall than in August. However, 128,000 manufacturing jobs were lost in the third quarter, compared with losses of only 50,000 and 18,000 in the first and second quarters respectively. There are now 4.4m people employed in manufacturing in the UK, compared with a peak of 7.9m in June 1971.

Both male and female unemployment rose in October. The annual rate for men was 13.6 per cent, compared with 13.4 per cent in September. For women the rate rose to 5.5 per cent, unchanged on the previous month.

Unemployment rose in every region except Northern Ireland. The biggest rise in the south-east, including greater London. The rate of unemployment in the south-east is 11.2 per cent, the third highest rate in the country after Northern Ireland (14.7 per cent) and the north (11.6 per cent).

Britain in brief

UK new car output rises by 20.2%

UK car production in October was 22.2 per cent higher than a year ago in spite of short-time working at Ford's UK plants and at Rover's plant at Longbridge, Birmingham.

Overall UK car output increased to 117,674 from 97,130 in the same month a year ago helped in particular by rising output by Nissan, the Japanese car maker, and Vauxhall, the UK subsidiary of General Motors of the US.

Nissan production in October was 64 per cent higher than a year ago, while Vauxhall's output rose by 15 per cent. UK car production in the first 10 months of the year at 1,079,807 was 3.7 per cent higher than in the same period a year ago, according to the the Society of Motor Manufacturers and Traders and the Central Statistical Office.

Paper fined for contempt

The publishers of the Mail on Sunday newspaper and two journalists have been fined a total of £60,000 after being convicted of contempt of court in publishing interviews with jurors from the Blue Arrow fraud trial.

Associated Newspapers were fined £30,000 for committing what two High Court judges called "a deliberate and most serious breach of the law".

Mr Stewart Steven, former editor of the newspaper and now editor of the Evening Standard, was fined £20,000 and Mr Clive Wolman, city editor of the Mail of Sunday, £10,000 for a "dangerous encroachment" on the functions of a jury.

Lloyd's Names threaten action

The prospect of fresh legal action by Names at Lloyd's of London has grown following a meeting by more than 1,000 Names who are members of the loss-making Feltrim syndicates.

Mr Colin Hook, chairman of the Feltrim Names Association, told Names that talks designed to obtain an out of court settlement to their dispute "will fail".

He is asking the association £6.4m to finance action against 59 members' agents, which channelled Names, the individuals whose capital provides the market's capital base, onto the Feltrim syndicates.

Naval bases face closure

More than 1,000 jobs are to be shed at two naval bases in southern England, the government announced.

Ship refitting at Portsmouth will cease by next summer, Mr Archie Hamilton, armed forces minister, said in a written Commons reply. The work will be done instead at the naval dockyards at Devonport near Plymouth and Rosyth, Fife.

Dairy Crest to cut 390 jobs

Dairy Crest, the Milk Marketing Board's manufacturing subsidiary which has 25 per cent of the UK market for dairy products, is to shed 390 jobs as part of a rationalisation programme which includes two creamery closures.

Capital issues

UK borrowers announced new capital issues of £1.9bn last month, the Bank of England said. The largest issue was the rights for £653m issue of ordinary shares by Tomkins, the industrial company which is bidding for RHM.

AUTUMN STATEMENT: UK government spending plans

Lamont releases state funds for capital projects

By Robert Peston and Andrew Taylor

MR NORMAN Lamont, the chancellor of the exchequer, yesterday used his annual autumn statement on public spending to unveil a package of measures to boost Britain's ailing construction and transport industries.

The chancellor said the £1.6bn extension of the Jubilee Line to London's docklands, east of the city, would go ahead if final agreement on a £400m private sector contribution is reached with a consortium of banks.

A separate series of measures should also help the construction industry. These include the temporary suspension of restrictions on local authorities' ability to spend receipts from the sale of capital assets.

While welcoming state funding for the Jubilee Line extension, Mr Wilfred Newton, London Transport's chairman, warned that other government funding for London Transport next year, however, will be 30 per cent less than it had been expecting.

Mr Newton said: "We now face the real prospect of...the loss of 7,000 jobs in supply industries."

The construction industry, due to benefit from the Jubilee Line contracts, will be helped by a decision not to cut the national road building programme. In the longer term, the government hopes to boost construction activity further by allowing private companies to form joint ventures with the public sector to invest in roads, railways and other infracture projects.

The government also loosened restrictions on private sector financing of public sector projects. Mr Lamont said privately financed schemes would now be permitted so long as they were profitable.

The measures set out by Mr Lamont will also mean that from today until the end of 1993, all of the proceeds from sales of assets such as council houses will be available for spending on housing, roads and other projects. Previously councils could spend only 25 per cent of these proceeds. The newly available funds, which the Treasury estimates will total £1.75bn, must be spent in the coming three years.

In addition, a special tax allowance is being introduced for a year to encourage the construction of new industrial and agricultural buildings, including hotels.

The construction industry welcomed the package, including funds made available to help the housing industry. Mr Joe Dwyer, chief executive of Wimpey, a leading construction company, said: "I am encouraged by what I have heard".

Mr Neville Simms, chief executive of Tarmac the country's biggest housebuilder, said: "Given the financial constraints the government is operating under we must be pleased with the measures."

Motor industry welcomes end of tax

THE special car tax – abolished last night - cuts new car prices immediately by around 4 per cent.

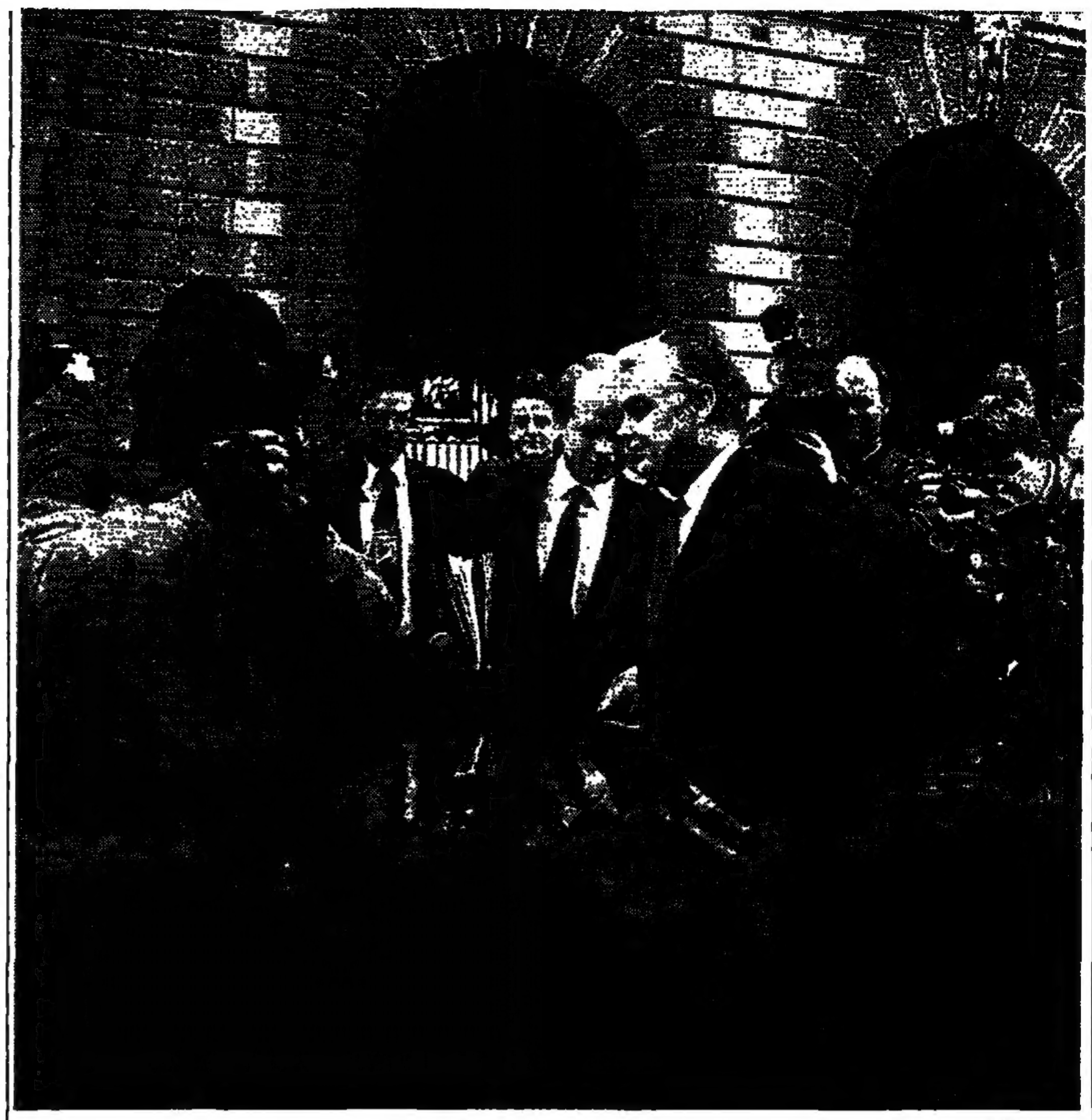
The price of an average family saloon costing £10,000 should fall by about £400.

The government warned yesterday that taxes on motoring would be raised next year, however, in order to pay for the abolition.

The removal of the car tax will cost about £100m over the rest of the financial year and £750m in 1993/94, the Customs and Excise said yesterday.

"This should be recouped within the 1993 Spring Budget by raising taxes on motoring," it said, suggesting higher fuel duty and a possible increase in road fund licences.

The UK motor industry last night strongly welcomed the removal of the tax.



Ashley Ashwood

Norman Lamont, chancellor of the exchequer, leaving the Treasury building for the House of Commons

Treasury maps out spending targets

By Peter Marsh, Economics Staff

THE Autumn Statement is the UK Treasury's annual projections for public spending. Yesterday's statement, the last before a new system of unified budgets next year, gives spending details for the financial year starting next April plus the following two years. It also updates plans for 1992-93. Its features include:

General Government Expenditure (GGE). A definition of public spending aggregating total spending of central and local government. If government revenues (mainly taxes) add up to less than GGE, the balance has to be financed by borrowing. In the March Budget the Treasury said GGE in 1992-93 would be £258bn.

GGE excluding privatisation revenues – the broadest way of looking at government spending. On the back of projections of receipts from privatisation of £8bn in 1992-93, the Treasury in March pencilled in £266bn for this figure in the current year.

Government spending as a proportion of GDP. The government wants this to decline over time, giving it more room for private sector initiatives. In March Treasury said it would be 43 per cent in 1992-93, after 42 per cent in 1991-92.

Planning total. This is a narrow measure of public expenditure used by Treasury to control overall spending growth. It adds up to about 90 per cent of total government spending, excluding three areas: local authorities' self-financed spending, interest paid on government debts and accounting adjustments. The total for 1992-93 was set in the Budget at £227bn; in 1993-94 the figure is £244.5bn.

Control total. From 1993-94, Treasury is abandoning the planning total, replacing it with a new concept called the control total. By emphasising the control total when looking ahead, Treasury hopes it will isolate unavoidable increases in spending such as unemployment benefits.

Cyclically-related social security spending. Taken by Treasury to encompass unemployment benefit plus income support paid to people of working age. This total is likely to be £10bn-£15bn a year over coming years.

Reserve. Unallocated sum built into plans for spending totals to account for unexpected increases.

Treasury forecasts. The Autumn Statement is one of two occasions when Treasury publishes its forecasts. Treasury forecasts are also published during the March Budget, which provides tax and revenue plans.

Markets split over statement's success

By Our Markets Staff

FINANCIAL markets were divided last night over the Autumn Statement, with some dealers claiming the package contained several ingenious measures while others feared it would not do enough to stimulate economic growth in the UK.

The announcement of a 1 percentage point cut in base rates, effective today, had been priced into foreign exchange dealing earlier in the week, with the pound barely moving against either the D-Mark or the US dollar.

Traders in UK stocks were pleased with the cut in base rates, and share prices rose before and after the chancellor spoke to the Commons. Several stock market analysts, however, warned the statement may not be enough to push the stock market significantly further.

Gilt prices were depressed because of the chancellor's forecast that the public sector borrowing requirement would rise to £44bn in 1993-94.

According to analysts at S.G. Warburg securities, this implies gilts will have to be issued next year at a rate of £1bn a week, a prospect they described as "daunting." The immediate reaction on currency markets was mute. Sterling stood at DM2.4105 at the start of Mr Lamont's speech, rose to DM2.4150 and later closing at DM2.4200 – more than ½ a pfennig up on the day. The pound closed fractionally weaker on the day against the dollar, at $1.5240.

The FT-SE 100 Index of leading shares closed at 12,726.4, a net gain of 29.6. The projected figures for the PSBR caused a sharp drop in gilt prices, which ended the day up to a quarter of a percentage point lower at the long end.

Diplomatic service faces severe cutbacks

By Robert Mauthner, Diplomatic Editor

RADICAL cuts in Britain's diplomatic activities will be made over the next four years after the chancellor yesterday announced the biggest ever budget reductions for the Foreign and Commonwealth Office.

Although the total reductions of £70m for 1993 to 1996 are lower by about £20m than earlier feared, they will still lead to much fewer resources than originally planned for overseas posts, capital spending and diplomatic activity in general.

The cuts will be unevenly distributed over the period, with the bulk of the reductions coming in projected expenditure – £30m, in 1995/96, after cuts of £12m in 1993/94 and £28m in 1994/95.

The 1993/94 total expenditure of £1.22bn represents an increase of 2.4 per cent in real terms on the provisions for 1992/93, but the Foreign Office stressed that this is more than offset by the cost of new posts in the former Soviet Union and Eastern Europe and "the increased pace" of diplomatic activity.

Officials said the implementation of the Foreign Office's proposed activities would be "just manageable" during the first year of the public expenditure survey. Achieved by slowing the capital expenditure programme and cutting scholarships and military training.

In 1994/95 and 1995/96, for which funds have been reduced in real terms by 3.7 and 2.2 per cent respectively it will not be possible to carry out all the Foreign Office's activities, even at a reduced level.

It is possible at least 25 overseas posts might disappear.

Government plans £700m boost for housing market

By John Gapper and Scheherazade Daneshkhu

THE chancellor yesterday tried to stimulate the chronically depressed housing market by spending £700m on buying empty and repossessed homes. The move is the first time the government has intervened directly to reduce empty housing stock.

The move is intended to cut by 20,000 the stock of 225,000 empty properties. Housing associations are being given money to buy empty homes, and a further £50m is being spent to subsidise local authority tenants to buy private homes.

Combined with a cut in base rates to 7 per cent, the move is an effort to restore confidence in the housing market. But banks and building societies said the change was unlikely to act as an immediate stimulus to house buying.

Building societies yesterday reacted quickly to the base rate cut by cutting mortgage rates. However, Abbey National bank and three societies widened lending margins by reducing mortgage rates by only a 0.75 percentage point.

The chancellor increased short-term spending on housing in England without raising the overall subsidy to the Housing Corporation. He brought forward £600m of a three-year £6bn expenditure plan, marking it out for house purchases.

Mr John Wriglesworth, housing market analyst at UBS Phillips & Drew, said the market was so depressed that he did not believe the measures would have a strong effect. He said associations might not spend money on repossessed homes.

The Building Societies Association said it expected the measure to ease the oversupply of housing and to help the social rental sector. The £700m works out at an average of £37,500 per property bought by housing associations.

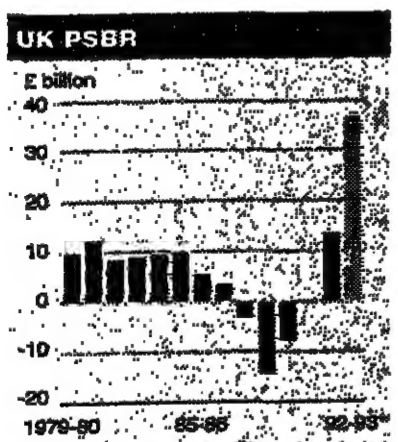
West Bromwich, Newcastle and Yorkshire building societies announced a 0.75 per cent cut in rates. Yorshire's rates will be implemented on Monday for new borrowers, Newcastle's are from today, the others are immediate.

Existing customers will benefit on December 1 at West Bromwich, December 23 at Abbey National while Yorkshire and Newcastle have yet to announce a date.

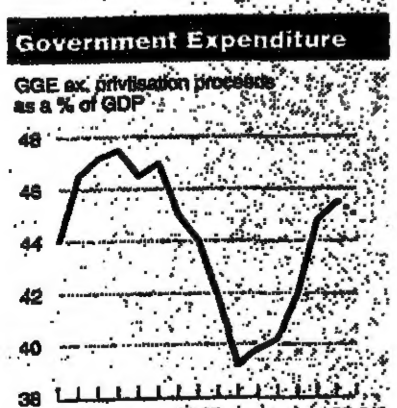
Woolwich and Alliance & Leicester building societies said they would also announce a 0.75 point cut while Halifax, Nationwide and Leeds also promised a reduction in their mortgage rates soon.

MAIN POINTS OF THE CHANCELLOR'S AUTUMN STATEMENT

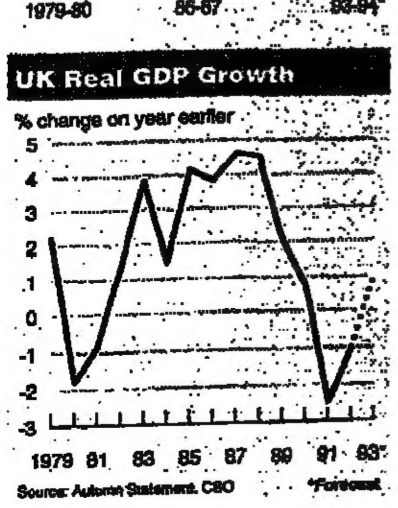
UK PSBR



Government Expenditure



UK Real GDP Growth



Source: Autumn Statement, CSO *Forecast

Public spending level to stay at £226bn

By Emma Tucker, Economics Staff

Base rates

The chancellor announced a 1 point cut in base rates to 7 per cent, the lowest level since 1978.

No change in government spending levels: There will be no effective change in the level of public spending planned for this year and next year. This implies a planning total of £226.1bn this financial year in line with figures set out in last year's Autumn Statement. (The figure allows for classification changes and a new £750m package to boost the housing market).

New Planning totals: The new control total - which takes over from the planning total in the next financial year - has been set at £243.8bn for 1993-94, £253.6bn for 1994-95, and £263.3bn for 1995-96. This represents average growth of 1.4 per cent in public sector spending over the next 3 years, half the average growth rate of the past three years.

General government expenditure - comprising central government and local government spending and debt interest - is likely to rise to 44.75 per cent as a share of national income this year "mainly as a result of the recession". It is projected to rise to 45.5 per cent in 1993-94, before dropping to 45 per cent the following year and 44.25 per cent in 1995-96.

Privatisation proceeds and the reserves: The new control totals include reserves of £4bn in the next financial year, rising to £7bn in 1994-95, and £10bnn in 1995-96. Privatisation proceeds will not be part of the new control total and will therefore not affect expenditure. They are anyway projected at £5.5bn in both 1993-94 and 1994-95.

Fiscal Stance: The Treasury expects the public sector borrowing requirement to rise to £37bn this financial year, a significant increase on the Budget forecast of £28bn, and higher than most independent forecasts. In 1993-94 the PSBR is expected to rise to 7 per cent of GDP, about £44bn.

Package of temporary fiscal measures designed to give immediate boost to confidence:

● **Motor industry:** Car tax abolished from midnight last night. This should provide a saving of around £400 on a £10,000 car.

● **Capital allowances:** First year capital allowances for plant and machinery increased from 25 per cent to 40 per cent for one year. Initial tax allowance of 20 per cent for new industrial and agricultural buildings introduced for a year.

● **Local authorities:** Temporary relaxation of local authority receipts realised between today and the end of next year, including receipts from council house sales. The measure is expected to stimulate extra capital spending of £1.8bn for spending on capital projects.

● **Housing:** The government will use an extra £750m this year to buy empty properties for use as low rent housing.

● **Exporters:** The government will provide a further £700m of ECGD cover to "ease some of the constraints on cover for individual countries."

Private finance for infrastructure projects:
The statement included a new initiative on private finance to enable public and private sectors to work more effectively together, particularly on infrastructure projects. Privately financed projects which can be operated profitably will be allowed to proceed.
No comparison with a theoretical public sector alternative will be required.

● **Departmental Spending:** New public spending plans give priority to capital programmes.

● **Roads:** The overall transport budget has been cut but cash plans for the national roads programme will be maintained. Because of the fall in construction prices, the number of new starts next year should be double this year's levels.

● **Public Transport:** British Rail will be allowed to lease around £150m of new rolling stock orders over the next three years.

● **Jubilee Line extension:** Funds for completion - £1.2bn over three years - will be made available, provided negotiations are completed.

● **Public Sector:** Pay settlements in the public sector will be restricted this year to a maximum increase of 1.5 per cent.

● **National Insurance:** Contributions will not be raised. Upper and lower earnings limits will be indexed as usual.

● **Education:** Spending on education will be £9.5bn next year - a real rise of 3 per cent. This is designed to fund an 8 per cent increase in the number of students expected to enroll at further education and sixth form colleges next year.

● **Social security:** The real value of unemployment benefits and pensions will be maintained. Most social security benefits will increase by 3.6 per cent in April.

● **Local Government:** Central government support for local government spending will rise by 3.7 per cent in England next year.

● **Defence:** Spending will fall sharply in real terms. Next year it will be reduced by £3.75bn and will continue to fall over the following two years.

● **Health** Spending in real terms will increase by 1 per cent next year.

● **Employment:** A real spending growth of 1 per cent next year, will allow for 500,000 new places on government employment schemes.

Cautious economic forecast: The chancellor offered a muted view of the economy expressing particular concern over the lack of confidence among consumers and businesses.

● **GDP:** The economy is forecast to contract by 1 per cent this year, followed by growth of around 1 per cent next year. This is slightly less bullish than the consensus of independent forecasts.

Opponents complain at 'absence of strategy'

By Ivor Owen and Ralph Atkins

THE Autumn Statement failed to provide an effective economic and industrial strategy for the future, Mr Gordon Brown, shadow chancellor, told the Commons.

Waving aside shouts of "cheer up" from the Tory benches he maintained that, with unemployment still set to rise, the chancellor should have gone still further in adopting Labour polices as a way of restoring the confidence needed in order to get the economy moving again.

Mr Brown's remarks contrasted sharply with the enthusiastic response which most Tory backbenchers accorded Mr Norman Lamont in private and public.

A concerted effort by Treasury ministers to brief Conservative MPs of the economic backdrop to the statement appeared to have paid off. He was told by one of his more persistent critics, Mr Nicholas Winterton, MP for Macclesfield, that "your credibility has been restored".

Lord Parkinson, the former Tory Cabinet minister and frequent critic of the government, said on BBC television that Mr Lamont, "was clearly right on top of the job".

But Mr Alan Beith, Treasury spokesman for the Liberal Democrats, contended that the total package was unlikely to have anything like the impact needed. "There is a danger that today's fireworks may burn out very quickly," he said.

Mr Robert Sheldon (Lab Ashton-under-Lyne), a former Treasury minister, welcomed the chancellor's belated recognition of the need to help the manufacturing sector through improved capital allowances but warned "although you have done something you have not done enough".

The decision to impose a zero to 1.5 per cent limit on public-sector wage increases was fiercely condemned by the Opposition.

Mr Dennis Skinner (Lab Bolsover) accused the chancellor of having introduced a "spiteful mini-budget" which attacked the lowest paid, and Mr John Garrett (Lab Norwich South), protested that thousands of public-sector workers faced an absolute cut in their standard of living and quality of life.

The chancellor stressed that in the past two years public-sector workers had done better, on average, than those in the private sector.

Responding to concern from Tory backbenchers that the policy of the banks had prevented small businesses from receiving the full benefit of earlier reductions in interest rates Mr Lamont noted that some had imposed a "floor" below which they would not reduce their charges.

To cheers, he said: "I hope they will consider this position very carefully."

While the help provided for the housing market was given a general welcome Mr Lamont agreed with Mr George Walden (C Buckingham) that it would be "a great mistake if we just tried to have a great house price boom again".

Industry stops short of complete approval

By Michael Cassell, Business Correspondent

INDUSTRY last night withheld unqualified approval for the chancellor's package, although it was widely welcomed as an encouraging starting point for economic recovery.

Doubts remained over whether confidence, the one factor beyond the chancellor's control, would now improve significantly.

There was some disappointment among industrialists that today's interest-rate reduction will be limited to 1 percentage point and concern about whether the measures would provide a coherent strategy in the longer term for sustained investment and recovery.

Other business leaders suggested that the cheapest borrowing rates for 15 years, combined with what was in effect a 14 per cent devaluation of sterling, would provide a badly-needed boost to the economy.

Mr Lamont's short-term plan for reviving industry with a blend of measures to stimulate investment, expand production and increase sales met many of the demands on industry's shopping list.

Even so, Mrs Ann Robinson, head of policy at the Institute of Directors, said she was only "partially satisfied" with the package. She was concerned about the government's longer-term spending plans given the danger that insufficient revenues would boost public-sector borrowing and again raise interest rates.

The least impressed were smaller companies, with the Forum of Private Business – representing 20,000 businesses – claiming the chancellor had offered "only crumbs of comfort".

The emphasis on maintaining capital investment at the expense of current spending and the signalling of a new regime for encouraging joint ventures between the public and private sectors were well received by big business.

The Federation of Civil Engineering Contractors said the priority given to big infrastructure projects would be good for the construction sector.

The modest but short-lived measures for investment in plant, machinery and industrial buildings, along with Mr Lamont's direct intervention to help the housing and motor industries, also won approval. The Society of Motor Manufacturers and Traders said the abolition of the special car tax would boost sales.

Mr Howard Davies, director-general of the Confederation of British Industry, said the improved investment allowances would be of direct benefit to industry. "No one can be sure these measures will be sufficient to bring us out of recession," he said. "But they will begin to rebuild industry's confidence in itself and in the government."

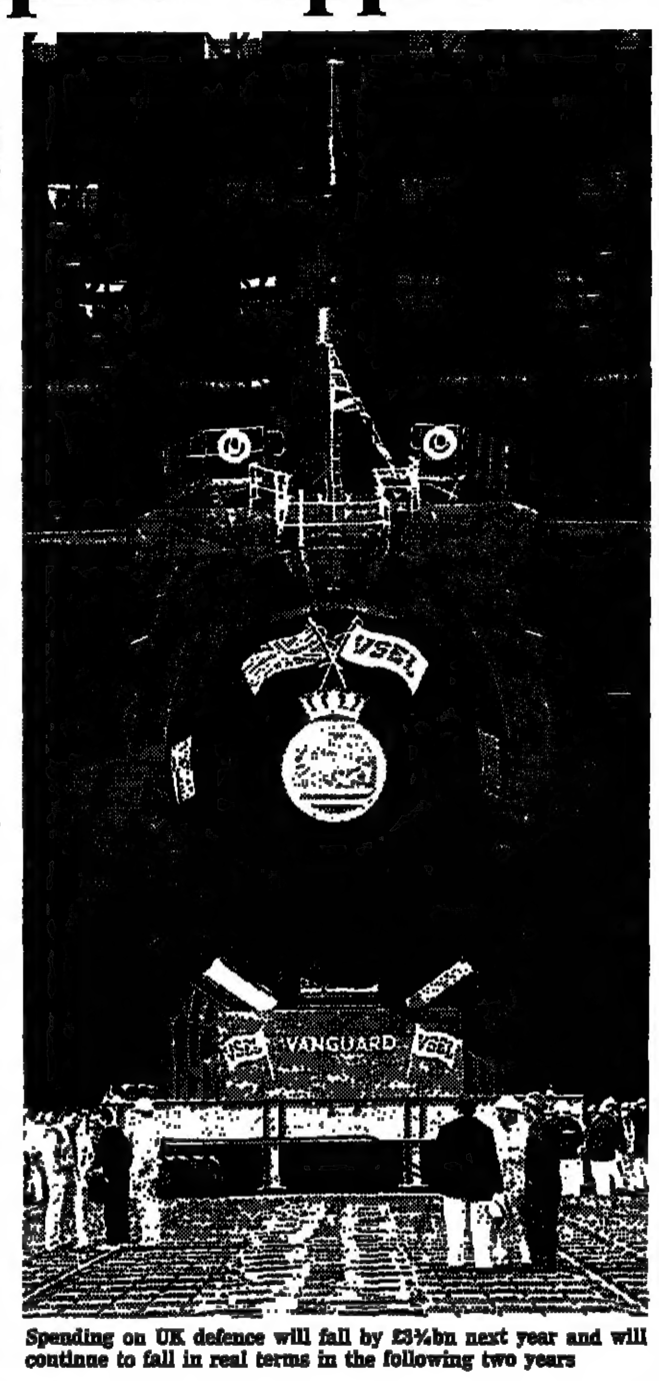
Mr David Mann, managing director of Logica, the UK's largest independent computing services company, said the increase in capital allowances would encourage new computer hardware and software projects among the company's customers. The move was also welcomed by ICL, the UK-based computer manufacturer.

The UK subsidiary of International Business Machines, the world's largest computer manufacturer, commented: "Despite the strong move to services, our industry still has a high capital content, and so we welcome this investment incentive."

But it said the recession had badly affected IBM business and the move had come too late to improve this year's results.

The extra £700m cover for exporters available through the Export Credits Guarantee Department was generally welcomed, although it is the high cost of ECGD premiums which has raised most recent objections by exporters.

The Engineering Employers' Federation, which has been increasingly critical of Mr Lamont's policies, said the package represented "a great improvement". Mr Neil Johnson, federation director-general, welcomed the short-term elements of the package, but added: "Rebuilding the UK industrial base is a job which demands much longer-term policies".



Spending on UK defence will fall by £3¾bn next year and will continue to fall in real terms in the following two years

Recession brings spending shift

By Peter Marsh, Economics Staff

A SHIFT of spending from weapons purchases to social security payments for the poor is among the changes forced on the government by the longer than expected recession.

There is also a big switch in the pattern of spending by local authorities.

Councils' self-financed spending is due to increase to £11.1bn from the £9bn planned a year ago but at the same time the Treasury will crack down on payments to them by central government.

The new plans also indicate a cut in transport spending in relation to existing plans, while health spending has emerged virtually unscathed.

Spending on defence will total £23.5bn in 1993-94, 4 per cent down on the £24.5bn sketched in for the year in the 1991 Autumn Statement.

Some of the £1bn taken from defence funds will be injected into a 6 per cent overall rise in social security spending, up from the £76.1bn envisaged a year ago to a new estimate of £80.5bn.

Under new Treasury rules outlined yesterday, only that element of social security spending which is reckoned to be unrelated to the economic cycle will be counted as part of the new control total introduced by the government to curb rises in overall spending.

After taking into account various changes in classification, the new control tota – set at £243.8bn for 1993-94 – is equivalent to the £244.5bn planning total for this year announced by the Treasury 12 months ago.

Overall social security spending is divided into two parts: £65bn which is unrelated to the economic cycle and £15.5bn linked to the economic downturn. That takes the form of unemployment pay and some elements of income support to people under 65.

The Treasury is assuming that unemployment will average 2.8m this year and total 2.9m in 1993-94, staying at this figure until 1995-96.

Some of the comparisons between the different plans for 1993-94, shown in the table, have been affected by changes in responsibilities of specific departments.

Winners and losers among government departments: How the new control total for 1993-94 is shared out

£bn	Old plans ‡	New plans ☆
Defence	24.5	23.5
Foreign Office	1.2	1.2
Overseas Development	2.3	2.3
Ag, Fish and Food	2.2	2.8
Trade and Industry	0.9	2.6 *
ECGD	0.1	0.0
Energy	0.5	n/a
Employment	3.9	3.7
Transport	6.6	6.4
Dept of Environment		
Housing	8.0	7.9
Environment	1.3	1.4
Local g'ment	32.5	29.4
Home Office	6.4	6.1
Legal departments	1.8	2.6
Education/Science	8.4	9.5
Arts/libraries	0.6	-
National heritage	n/a	1.0
Health	30.0	30.0
Social security	76.1	65.0
Cyclically-related social security	n/a	5.5 #
Scotland	13.1	13.4
Wales	6.1	6.3
N. Ireland	7.4	6.9
Chancellor's Depts	5.2	3.4
Cabinet Office	0.5	1.6
EC	2.6	1.4
Reserve	8.0	4.0
Privat'ion receipts	-5.5	-5.5 #
Local authorities' self financed spending	9.0 ♣	11.1
Total	243.8	243.8

*Notes: ‡ Based on figures issued in Autumn Statement November 1991 using planning total definition. Includes a £2bn classification change that reduces 1993-94 planning total from £244.5bn to £242.5bn. ☆ Based on yesterday's figures using new control total. ♣ Indicates excluded from planning total classification. # excluded from control total. * Department of Energy functions incorporated into Department of Trade and Industry*

Cautious line taken on recovery

By Edward Balls

THE RECOVERY, when it arrives, will be modest and driven by consumption rather than investment, according to the latest Treasury projections.

In a muted and heavily qualified statement of UK economic prospects, the Treasury admitted that its Budget projections have proved to be over-optimistic while forecasting that the economy will grow by 1 per cent in 1993 after contracting by the same figure this year.

The Treasury forecast for 1993 is lower than that of most independent forecasters. The consensus of forecasters expect a rise in gross domestic product of 1.4 per cent next year. In its pre-election budget, the government had forecast growth of 1 per cent this year and 3 per cent in the first half of 1993.

Treasury forecasters have been criticised over the past year for being both wrong and over-optimistic. In a recent FT analysis of recent forecasting performance, the Treasury came 19th out of 41 forecasters.

A Treasury calculation of its forecasts over the last 10 years show thats its forecast for GDP growth tends to be wrong, on average, by 1¼ percentage points of GDP. This implies that the Treasury's growth forecast for 1991 could vary between 2¼ per cent and -¼ per cent.

But the Treasury appears to have swapped optimism for caution.

"The recovery could, of course, be a lot stronger if confidence picks up quickly in response to recent government initiatives" it says.

"But it seems prudent not to base the forecast on this assumption."

The effect of projected slow growth, rising unemployment and higher spending is to raise the public sector borrowing requirement to £37bn this financial year, up from the £28bn target announced in the budget. Excluding privatisation receipts, the PSBR is £45bn, equivalent to 7¼ per cent of GDP.

The government expects a moderate recovery in consumer spending which is forecast to grow by 1¼ per cent next year. Fixed investment is expected to rise by a quarter of 1 per cent after falling by 2 per cent this year.

The relatively sluggish pick-up in consumer spending means lower than expected import growth, although at 5¾ per cent it is higher than the independent consensus. It is also faster than expected growth of exports.

There is little sign of a stimulatory effect on exports from the recent devaluation of sterling.

Indeed, the short-term effect is to increase the current account deficit as import prices rise faster than export prices. The deficit is expected to rise to £15.5bn in 1993 or 2½ per cent of GDP compared to 2 per cent of GDP this year.

The devaluation does affect the government's inflation projections.

Retail price inflation, excluding mortgage interest tax relief, is expected to remain at 3¾ per cent this year and next. But producer price inflation is expected to jump to 4 per cent from 2¾ per cent this year as manufacturers use the devaluation to boost their profit margins. The Treasury downplays this inflation risk.

"Against a back of strong disinflationary pressures, the lower exchange may imply only a marginal and almost certainly temporary increase in inflation," it says.

SPOTTING THE UK ECONOMIC RECOVERY

	Autumn statement 1992	Latest private consensus*	Budget 1992‡	Autumn statement 1991
Gross domestic product				
1992	-1	-0.8	1	-2¼
1993	1	1.4	3	na
Consumer spending				
1992	-¼	-0.3	1	2½
1993	1¼	1.2	3	na
Govt consumption				
1992	½	1.2	1	1¾
1993	¼	1.3	1¼	na
Fixed investment				
1992	-2	-2.8	-½	1¼
1993	¼	0.3	3½	na
Exports				
1992	3¼	3	3½	6
1993	5½	4.8	6½	na
Imports				
1992	6¼	6.1	4	7½
1993	5¾	4.2	8¼	na
Current account(£bn)				
1992	-12	-11.6	-6½	-9½
1993	-15½	-13.5	-9	na
Manufacturing output				
1992	-1	-0.8	½	3¼
1993	1	1.6	3¾	na
Inflation ♣				
1992	3¾	3.8	na	na
1993	3¾	4.0	na	na
PSBR (£bn)				
1992#	37	32.9	28	na
1993#	na	39.4	na	na

*Notes: Figures apply to percentage changes on previous year unless otherwise stated ‡ Forecast for 1993 applies to year-on-year change to June 1993 * Comparison of forecasts compiled by Treasury, October 1992 # Financial year ♣ retail prices index excluding mortgage interest payments, Q4 on Q4*

Public sector pay feels squeeze

By David Goodhart, Labour Editor

FOR the first time in 13 years the government yesterday set an explicit target for pay rises for all public sector workers over the next 12 months of 0 to 1.5 per cent. The chancellor said the pay squeeze would save about £1.5bn.

The target will not be legally binding but the government will be able to impose it directly on about 3m of the 5m public sector employees. For other groups, primarily local government, central government grants will assume pay awards within the 0 to 1.5 per cent range.

Mr Stephen Dorrell, financial secretary to the Treasury, accepted that the announcement represented an "evolution of policy" but also emphasised that governments had always made assumptions about public sector pay.

He stressed that the pay limit, which also applies to MPs, had been introduced to free resources for the provision of services and to help "suppress pay expectations" throughout the economy.

Although the pay limit only lasts 12 months, Mr Dorrell said that the "catch-up argument" would not be accepted next year.

He said it was important the pay limit should not interfere with the longer term movement towards more localised and performance related pay in the public sector.

The government has set aside all the pay formulae for civil servants, policemen and firemen and bypassed the pay review bodies, while stressing their value and insisting they will continue to operate.

The groups covered by review bodies – teachers, doctors and dentists, nurses and the armed forces – will all receive the maximum rises of 1.5 per cent from April next year. That is when the next public sector pay round begins in earnest and when the restrictions will start to bite.

Settlements already agreed this year will be honoured. Coal miners, the only large group not to have settled this year, may be the first group to be hit by the limit.

One group escaping the squeeze is people covered by the Top Salaries Review Body. The government intends to honour the second stage of the 1992 award, giving them an increase of 2.9 per cent.

Local government employers wrote to the government asking for a pay squeeze to apply across the private sector. The government has rejected that suggestion but the local authorities are likely to welcome the fact that the squeeze at least applies evenly across the public sector, defined widely to include bodies that are largely public funded such as universities and non-departmental bodies.

It appears that the pay commitments already accepted which run over into the 1993-1994 budgets will be treated separately and not eat into the extra money for the 0 to 1.5 per cent settlement.

Several union leaders warned that the decision would build up big problems of comparability with the private sector for the future.

Feeling the squeeze, Page 14

Concern in gilts market on PSBR

By Tracy Corrigan

THE GILTS market took the Autumn Statement in its stride yesterday, but the market's current bullish tone may prove difficult to sustain, as the longer-term implications for supply sink in.

The surge in the public sector borrowing requirement, now estimated at £37bn for this financial year and £44bn for next year, means that supply in the gilts market could reach £50bn next year, taking into account the need to refinance maturing government debt. This translates into about £1bn of gilt issues every week.

The immediate impact on the gilts market has been cushioned because, with less than £4bn still to borrow, the government has already completed most of its funding for this financial year.

"I don't think the real problem is for this year and it might not even be for next year, but it is the prospect of several years of PSBR between £40bn and £50bn that causes concern," said Mr Simon Briscoe, UK economist at Greenwell Montagu.

The government has some additional flexibility, because the inclusion in the funding arithmetic of the £15bn raised through purchases of sterling during foreign exchange intervention in September could be delayed, allowing some prefunding in the gilts market before the start of the next financial year.

There are some fears that even the latest PSBR estimates may be conservative. "The key is going to be whether [Mr Lamont] will succeed in keeping to his public sector pay policy," said Mr John Kendal, an economist at Baring Brothers.

If the 1½ per cent limit on public sector pay rises was exceeded, the government's funding needs could rise further, he warned.

But the background of low inflation and low growth, and the prospect of further cuts in interest rates, will continue to provide support for the gilts market.

Concern about inflation, even in the medium-term, appears to have faded.

Banks welcome measures

By Richard Waters, John Gapper and Norma Cohen

BANKS and other financial institutions gave a cautious welcome to the Autumn Statement, predicting that it would help to take some of the pressure off bank balance sheets and give a lift to trading in the securities markets.

Mr Phil Nunnerley, assistant general manager for retail banking at Lloyds Bank, said the banks welcomed the government's measures to stimulate the housing market by allocating £750m for buying empty properties.

Mr Geoff Ellerton, product director for branch banking at Midland, said the cut in base rates would make saving less attractive. The banks were already noticing a downward pressure on savings accounts, which could lead to increased consumer spending.

Securities houses looked forward to continuing interest in equities – and thus higher commissions – from falling UK interest rates, but no sudden shift was thought likely.

Scorn for 'non-statement'

By Paul Cheeseright, Midlands Correspondent

MR PAT WALLACE, who is in charge of government-funded training programmes at Birmingham Chamber of Commerce, called in an "autumn non-statement". He was disappointed that Mr Lamont had not mentioned training apart from making a brief reference to youth training.

He was not the only disappointed training chief. "I welcome the determination of the government to invest in the development of human capital," said Mr Brendan McGuinness, director of education and training at the Engineering Employers' Federation in the west Midlands. "I would have welcomed a stronger commitment in the actual statement to training," he added.

Mr Peter Harrison, managing director of Linread, the fasteners group, said training was focused too much on the short term. "You've got to see it long-term as an investment, and that is where one would have liked to have seen government putting some money in," he commended.

Mr Edward Roberts, chief executive of Heath Springs of Redditch and chairman of G10, the group which liaises between Training and Enterprise Councils and the government, said: "From what we can see at first glance it is a help."

"They haven't smacked the funding, and they have allowed us more flexibility," said Mr Richard Archer, a member of the Birmingham Tec board and a partner at KPMG Peat Marwick, the accountancy firm.

Little joy for north-west

By Ian Hamilton Fazey, Northern Correspondent

THERE were only small cheers for Mr Norman Lamont in north-west England, where much manufacturing industry depends on defence contracts.

The rate of decline in defence spending is set to increase. About £1bn a year is to be cut from spending on equipment, leaving the total at "over £23bn a year", said the Ministry of Defence.

Mr Ray Sharpe, managing director of Pendle Aeroform, a Lancashire airframe components manufacturer, said: "Whitehall has failed to realise the magnitude of the problems guys like us are facing. A few tweaks won't be enough to get the economy going again."

Mr Mike Hynes, managing director of Lancashire Enterprises, a private-sector economic development company, said: "Better capital allowances and reduction in interest rates must help, but we are so dependent on military aircraft in this area. It's not very good news unless they are going to spend the whole defence budget on EFA."

There was a more enthusiastic response from Mr Ted Stanworth, who runs the 40-employee Stanworth Engineers in Burnley. "Like many other similar companies, we have not been buying machine tools for the last two or three years," he said.

"We shall certainly be investing again now we can get 40 per cent capital allowances.

Inward investors give qualified approval

By Chris Tighe

INWARD INVESTORS in the north gave the statement a cautious welcome but stressed that, while its main points were helpful, they alone could not transform confidence.

The cut in interest rates, improvements in capital allowances and the decision not to increase national insurance contributions were all applauded. But investors emphasised that economic stability and clarity of policy remained vital.

There was some disappointment that the chancellor had not been more bold. Mr David D'Arcy, financial director of Norwegian-owned Grorud, which relies heavily on local authorities to buy the stair lifts and door and window fittings it produces at Consett, County Durham, said permission for them to spend only future capital receipts would have limited impact.

Mr John Dolan, managing director of Compaq, the US-owned computer manufacturer based at Erskine, near Glasgow, welcomed capital allowances improvements, although he had hoped for more relief on research and development spending.

Mr David Smith, human-resources manager at NSK, the bearings and automotive products manufacturer at Peterlee, County Durham, said: "In general all the measures are gratefully received." But he said they were "insufficient to transform our future".

Nissan Motor Manufacturing, which employs 4,600 people at its Sunderland car plant, welcomed the abolition of car tax but said confidence had to return before sales could rise significantly.

Sir Ron Dearing, chairman of the Northern Development Company, the body responsible for attracting inward investment to north-east England and Cumbria, said the boost to export cover would help the region.

Professor Neil Hood, director of Strathclyde University's International Business Unit, said improved capital allowances might influence the timing of some inward-investment projects, and the cut in interest rates would send a favourable signal to inward investors.

AUTUMN STATEMENT: Comment

FINANCIAL TIMES: Editorial Comment

Package for recovery

POLITICALLY, the Chancellor of the Exchequer did himself and his party some good yesterday. But he did so in intriguing ways. The spending package was resoundingly un-Thatcherite, for example, both in the appalling state of the public finances revealed by the chancellor and in its detail. It was full, for example, of gimmicks to help industry and the housing market, both causes close to the heart of Tory backbenchers. To add to their relief, careful news management had led many to expect more spending "cuts" than were delivered.

The only element in the package likely to cause political trouble is the ceiling of 1½ per cent on the increase in public sector pay. Even complaints over this should be containable when things are as grim for the private sector as they are now, and are likely to remain.

The problems lie elsewhere, in the bleak state of the economy and the certainty that managing the public finances will become hugely difficult, unless the UK economy recovers more vigorously than now seems likely.

Mr Lamont's macroeconomic policy judgments are defensible. In cutting interest rates by a further 1 percentage point, he has continued to focus the policy loosening where, given the problem of the debt overhang and the long period of monetary stringency behind the UK, it was best to do so. As for fiscal policy, he has continued to abide by the increases to spending plans made in more confident days, while doing nothing yet to increase revenue. The result: a public sector borrowing requirement, excluding privatisation receipts, forecast at 7¼ per cent of gross domestic product this year and probably at over 8 per cent in 1993-94. These numbers are horribly realistic.

What the chancellor offers is not fiscal stringency. The plans allow for a real increase in total general government expenditure of just under 4 per cent between 1992-93 and 1993-94 and even for a real increase of 2.3 per cent in the new control total, supposed to exclude the cyclical element. Between 1990-91 and 1993-94 total government expenditure is forecast to rise by 12 per cent in real terms. Over the same period real GDP will fall. It is little wonder that the public finances are in such a dismal state.

The public finances are not all that looks dismal. What a difference seven months – and an election – can make to economic forecasts! In March, the Treasury forecast growth of 1 per cent in GDP in 1992 and of 3 per cent in GDP in the first half of 1993. Now it says GDP will fall 1 per cent in 1992 and rise by only 1 per cent in the whole of 1993. Even growth between the second half of 1992 and the second half of 1993 is forecast at a mere 1½ per cent. This is a forecast for a recovery that will feel like recession, coming after a recession that feels like depression.

Nor is the outlook for growth the only part of the forecast that is disturbing. In March the Treasury forecast a current account deficit of 1¼ per cent of GDP in the first half of 1993. Now, despite far lower expectations for the growth of dometic demand, the current account deficit is forecast to be 2¼ per cent of GDP in 1993. These plausible figures emphasise the importance of export-led growth and the risk that would have been created by any stoking up of domestic demand via still more fiscal stimulus.

The prospects for a sustained and balanced recovery now depend overwhelmingly on the response of inflation to the devaluation. The Treasury is optimistic on this score, forecasting the retail price index (less mortgage interest) up by 3¾ per cent in the year to the fourth quarter and the producer price index up by 4 per cent. But it is the wage response that matters most. If the gain in competitiveness is to be maintained, the real cost of labour must fall. The government has taken the bold step of limiting the rise in public sector pay settlements to 1½ per cent. The private sector has to follow suit.

If the private sector does not do so, the government may find its action on public sector pay a serious error. The chancellor notes that public sector pay has risen by 20 per cent over the past two years, while that of the private sector has gone up by only 13 per cent. But public sector pay had previously lagged behind that in the private sector. The government has made itself the direct target for all protests about low pay in the public sector. If public sector pay turns out to lag too far behind that in the private sector over the next year or two, there will be enormous pressure for a catch up in future years.

In the details of what the chancellor has proposed are various actions to lift the gloom of recession. Noteworthy among them are the temporary increases in first-year capital allowances for plant and machinery; the allocation of £750m to buy up empty properties for social housing; the release of £1.8bn in local authority capital receipts; the abolition of the car tax; and extra export credits.

None of this is likely to prove immensely important. Nor is any of it particularly objectionable. But it represents a move towards the sort of short-term tinkering with taxation and interventionism in markets that would have been anathema during the Thatcher era. This inclination to match any powerful lobby with a fiscal goody needs to be resisted.

More welcome is the determination to maintain ongoing capital spending. The chancellor and the chief secretary have reason to be pleased with the new top-down control over public spending if it has allowed them to keep within the earlier total for next year, admittedly a generous one, and impose sensible priorities on the allocation of spending as well.

In the longer term, the most important innovation – apart from the new procedure for control over spending, the new control total and the new unified procedure for spending and revenue decisions, to be introduced next year – is likely to be the scope for the incorporation of private finance in public infrastructure spending. "The key question," says the Treasury, "is whether the private sector is genuinely assuming risk." The Treasury is right. This should not just be more public borrowing by the back door.

Yet, in the end, it will not be for the details of public spending – and for the absence of any of the feared "shock horror" cuts – that this Autumn Statement will be remembered. The question is whether the chancellor has crafted a package capable of delivering recovery at a rate that will start to heal both the economy and the wound in the public finances.

With the ratio of public spending (less privatisation receipts) to gross domestic product at 45¼ per cent of GDP and with the PSBR, similarly defined, rising to some 8 per cent of GDP, the British public sector is gaining an Italian air. Even with reasonable recovery, the prospects for the public finances look worrying. Without it, they look disastrous. The government must hope that devaluation and monetary easing will for once lead to the sort of long-term improvement in economic performance that has so often failed to happen in the past.

Samuel Brittan assesses the overall economic impact of what has turned out to be a full-scale budget

One's best is not always good enough

A very old trick used by chancellors of all parties when replying to critics of a Budget is to ask: "Are my critics saying that I have stimulated the economy too much or too little? Should I have borrowed more or less?" This never fails to floor the opposition; and judging by the way Gordon Brown began his reply with prepared, but stale and inaccurately phrased, Labour party cliches, it will be quite effectively used on him.

The word "Budget" is used advisedly. For although the switch from spring to end-year Budgets was not due until next year, the British chancellor, Norman Lamont, effectively presented his 1993 Budget yesterday. It is difficult to see what more he can do next spring, unless there are still further shocks, requiring still further U-turns. Yet there was no one document listing all the measures and their expected spill-over effects of the kind to be found in the Budget Red Book.

I worried much less that this omission would give the chancellor an unfairly bad specialist press when he began his monetary section by repeating what he last said at the IMF after sterling had been forced out of the ERM. "Interest rates are now set according to *British* monetary conditions – to meet the target I have established for inflation" – with a metaphorical glance over his right shoulder and an emphasis on "British", which no-one who has only seen the written statement will appreciate. If that is his view, the question arises what he was doing being chancellor for nearly two years up to September operating an ERM policy he now seems to delighted so have junked.

My own answer to the standard Budget question is that the chancellor has been insufficiently bold on the fiscal side but could be taking too many risks on the monetary and exchange rate side. It looks as if total spending, or the national income in money terms, will still rise by less than a normal rate; yet much too much of this will be inflation, and not enough real growth.

One must accept that the Treasury has made an honest attempt to find ways of stepping up public spending and quasi-public spending

The projected public sector deficits would not be *alarming for depression* years, if one had more confidence in medium-term monetary and exchange rate strategy

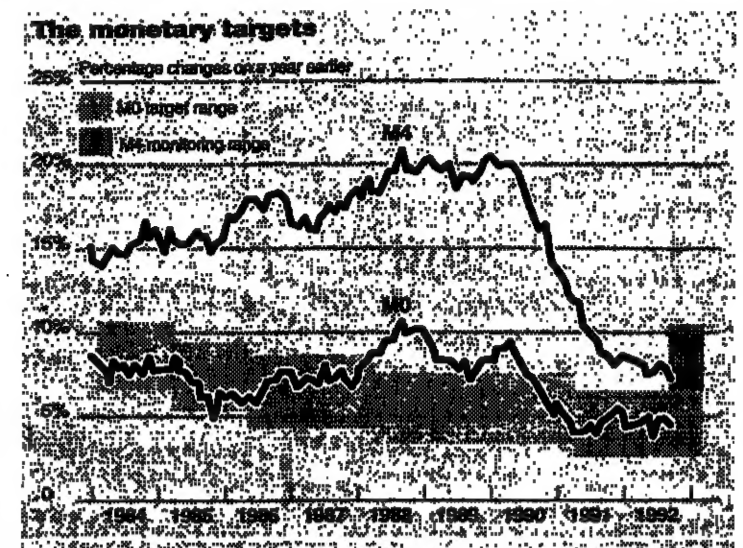
(by which I mean private investment committed to public-sector projects) in a way which need not add to public spending in the medium term. I do not mind the creative accountancy involved, as it seems to be valued by the profoundly non-market-oriented business and professional bodies to whom the Major government gives so much attention. But I would scrap the lot for the temporary tax holiday suggested by Peter Jay.

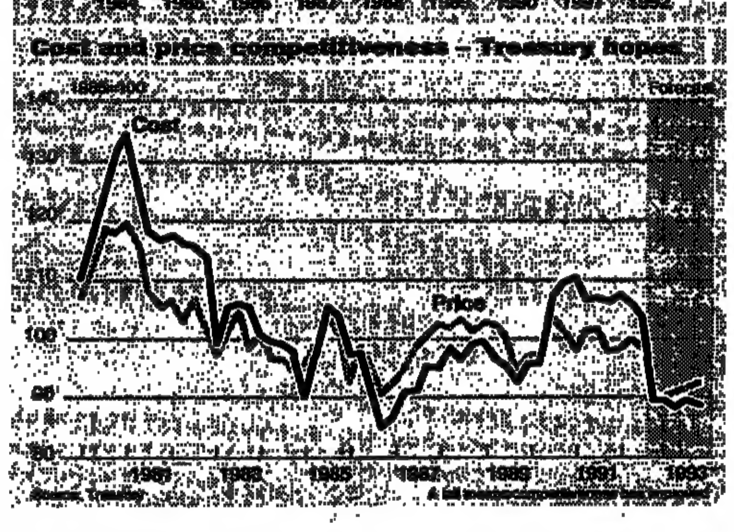
Most worrying are the special tax incentives for industrial investment – which contradict the principles of the anti-tax privilege 1984 Budget that Mr Lamont praised and which will be difficult to get rid of in later years. They could have been devised by Robert Reich, Bill Clinton's economic czar designate.

The fact that some analysts were simultaneously criticising the chancellor for excessive public-sector borrowing, and for not doing enough to stimulate the economy, strengthens the low-level case for creative accountancy. The projected public sector deficits of 6 per cent of GDP in the present financial year and 7 per cent next year would not be alarming for depression years, if one had more confidence in medium-term monetary and exchange rate strategy. The doubts stand out from the Treasury's own documentation. After several years of recession the official forecasters expect real GDP to rise by only 1 per cent in 1993. This means that the gap between output and productive capacity will carry on rising – which is why I have started writing about depression – and that unemployment will continue to rise. As unemployment is now almost certainly well above the equilibrium rate one would normally expect inflation to carry on falling further.

Yet the Treasury expects the underlying fall in inflation, measured by the RPI, excluding mortgage interest, to stall. It is expected to be will be 3¾ per cent in the fourth quarter of both this year and next. Producer price increases – in some ways a better measure of the underlying trend – are expected to accelerate from 2½ to 4 per cent. Only the GDP deflator, which suffers from many statistical jinxes, especially in the market price version on which the Treasury has unhappily got itself hooked, shows a continuing decline.

The most dubious part of the official reasoning is the chart, reproduced here, showing cost and price





competitiveness retaining all the devaluation advantages, which makes British products more competitive than at any time in the 1980s. Indeed, another chart shows competitiveness continuing to rise.

This can probably be reconciled with the inflation forecasts by some assumptions about improved profit margins. But unless the exchange rate is taken more seriously than the present team is inclined to do, I can see inflation climbing in the 1990s, while output and employment are still at depressed levels.

Suspicions are further confirmed by the second in the series of much vaunted explanations of base rate changes, which refers in some detail to domestic monetary indicators, but has nothing to say about the exchange rate, which in principle is supposed to have an equal weight as it was before sterling joined the ERM.

As so often, one should be most grateful for the touted measures which the Budget did not contain. There was no attempt to freeze social security benefits. The temptation to make a disguised increase in income tax by raising National Insurance contributions – which must have been considered, as the chancellor had the figures at his finger tips – was resisted. I wish he had also resisted the base rate cut, at least for now.

If the Tories' fortunes have turned, it may not be for long, says **Joe Rogaly**

Last throw of the dice for the government

It will only work if it works. The autumn mini-budget announced by Mr Norman Lamont yesterday brought instant cheer to the Conservative benches, but if there is no quick response in the real economy the effect will soon wear off. Much depends upon whether the chancellor's interventionist package of direct measures really does lead to new orders in the construction industry, restart the housing market, and sell a few more motor cars.

Yesterday's news *sounded* promising. So it should. It is born of the government's desperation. No promise, no government. This explains the abandonment of some of the ideology of the 1980s. After a decade of being told that attempts to fine tune demand had been consigned to the dustbin of economics, along with schemes for kick-starting growth, Conservatives are now being asked to believe in some of the familiar nostrums of stop-go once more. What was anathema during the Reagan-Thatcher years is being attempted under duress by Mr John Major's government. It is a remarkable turnround. Before the president-elect of the United States has had time even to rearrange the Oval Room furniture Mr Lamont has introduced Clintonomics to Britain.

Thus money will be spent on roads, railways, the Jubilee Line and new public housing (reversing Mrs Thatcher's drive for privatisation of home ownership). Car tax is abandoned to help automobile sales. Capital receipts are to be released. There is one important difference from the 1960s. Real growth in spending in 1993-94, the only year of which we can be sure, is held to a mere 4 per cent. The cash limit set in November 1991, with an election in the offing, is maintained.

Some of the extra spending is to be funded by cuts, particularly in defence; by a welcome near-freeze on public sector incomes; and by ingeniously accounting for expected fresh injections of private capital as if it were not being used for public purposes. The items on the list sound very like the gimmicks, different in detail but similar in spirit, peddled to American voters by the Democratic candidate during the recent election. Throw in the one-point interest rate cut and you quickly detect an echo of Labour's plans for engineering a recovery.

Most Conservative MPs are unlikely to quibble about this. Their constituents have for some time been asking about what concerns them most: jobs. The recession has created a widespread and understandable fear of unemployment, among all classes and in all businesses. It is the single most important reason why the government is so unpopular. The slump in the housing market has frightened many voters who have been caught with mortgage debts greater than the value of their properties. Will a loss of job mean a loss of house? At first sight yesterday's package appears to address these fears. That in itself should win the government a plaudit or two.

It needs every manifestation of support it can get. Mr Lamont's package constitutes a last throw of the dice by a chancellor whose job has been in jeopardy since Black Wednesday and a prime minister who has since the same date lost much of his authority. The parliamentary occasion was therefore carefully prepared, partly by the Treasury's familiar device of intimating in advance that there would be greater horrors (such as an increase in national insurance payments) than there actually were on the day, and partly by what is quaintly called a "charm offensive". This series of meetings at which Treasury ministers pre-sold the autumn statement to backbenchers was a no doubt necessary exercise.

We shall have to wait to see if the net effect is to do more than get the government through the night. It is perhaps too much to expect that what was said yesterday will put a stop to the run of political accidents that has hit the prime minister since September 16. The latest is still running. Mr Major came to question time prepared for an assault on his and certain of his colleagues' integrity over the sale of machine tools to Iraq in spite of an arms embargo. The extent of his homework, visible in the civil-service folder he held before him, is a measure of the danger he perceives.

In the event questions put by the Labour leader, Mr John Smith, were parried, but the game is not over. The more level-headed of Mr Major's ministers know that there is no quick way of restoring his administration's reputation, let alone its authority. They merely hope that the chancellor's economic statement will constitute a first step in what will be a long campaign.

The idea is that the government

It is a remarkable turnround. Before the president-elect of the US has had time to rearrange the Oval Room furniture Mr Lamont has introduced Clintonomics to Britain

will at last be seen to be doing something about the economy. It will insist, with a little more justification than it could before Mr Lamont sat down, that it has an economic strategy, that there is no longer a vacuum in Downing Street. We will soon know if this scheme is working. If it is, people will say that at last the cabinet is getting a grip; that it is no longer the plaything of events.

The chances are that it will go wrong, but this is not certain. The limit on public sector pay increases may produce marching nurses on the evening TV news. That would hurt the Tories. But not all public sector workers can so easily win sympathy. Some of the worst-paid – auxiliary workers, local authority employees and others – belong to unions whose track record is to use methods that quickly turn opinion against them.

A squeeze on public employees' pay is always going to be unpopular on the left of politics. The reaction of the conservative, middle-class heartland of England is not so predictable. The upsurge of sympathy for miners threatened with dismissal when the pit closures were announced may have been due to poor timing. The national mood was nearing a nadir. Contempt for the government was rising. This may change. Cuts as part of a recovery package are quite different from cuts when there is no hope.

There is, in short, a slim prospect that the mini-budget will bring about a turn in the government's political fortunes. It may not, however, be much of a turn, nor will it necessarily last. Mr Lamont's latest forecasts are cautious, which is hardly surprising. If he is right for once, there will be only the slightest relief from economic gloom during 1993, with the prospect of further cuts, or tax increases, thereafter. As his Labour shadow, Mr Gordon Brown, says, unemployment and bankruptcies will continue to rise. In those all too easily imaginable circumstances, yesterday's Autumn Statement could come to be seen as this government's political epitaph.

Michael Portillo has won plaudits in this year's public spending negotiations, says **Philip Stephens**

Chief secretary who stays dry in a downpour

There are not many ministers who can cheerfully write themselves out of a job and be confident of a sparkling future. But then Mr Michael Portillo is among that rare group of politicians who manage effortlessly to set themselves apart from their peers.

At 39, the chief secretary to the Treasury is the youngest and the most junior member of the cabinet. He is one of its most assured performers, smart enough to know that even if Mr John Major's luckless government does hit the rocks, he will find a privileged place in the lifeboat.

If the Autumn Statement does not live up to its claims, Mr Norman Lamont will bear the opprobrium. The beleaguered chancellor is still living on borrowed time. If the package does allow the government to regain a grip on the nation's finances, Mr Portillo, deservedly, will derive much of the credit.

Perhaps he foresaw such a situation earlier in the summer when he enthusiastically backed the complete restructuring of the annual public spending negotiations. Some say it was Mr Portillo who dreamed up the *new system*. Mr Lamont insists it was his idea.

Either way the effect has been to reduce significantly the role of the chief secretary in deciding who gets what in the Whitehall share-out of the public spending cake. Instead, much of his role as holder of the Treasury purse-strings has been taken over by something with the appropriately sinister name of EDX, the new cabinet committee established to consider the competing departmental claims. Mr Portillo was the committee's representative not its master. Ultimately, the important decisions – on the council tax, on public sector pay, on social security benefits – were hammered out in several exhausting sessions of the full cabinet.

But if the new system changed his role from that of a principal to that of an agent, Mr Portillo can claim justly that the system delivered the objective he started out with when he took the job after the April general election. After several years during which the government in practice abandoned its commitment to tight controls on public spending, Mr Portillo's starting point was that it had to begin again to face up to tough decisions.

In contrast with many of his colleagues, the chief secretary believes in the practice as well as the theory of cutting back the role of the state and the amount of money it demands of its citizens.

An intellectual Thatcherite in the Nigel Lawson mould (he worked for the former chancellor before entering parliament in a 1984 by-election), Mr Portillo pays more than lip-service to the economic ideals and achievements of the early 1980s.

He judged in the summer that a return to relative austerity would not be easy. Cabinet colleagues had become accustomed to winning more cash each year to expand their Whitehall empires. The recession was, and still is, wreaking havoc with public finances by forcing up demand-led expenditure. He concluded that the cabinet would agree to break with tradition and stick to previously agreed spending targets only if ministers were given a collective voice in setting priorities.

He was right. Though the numbers are slightly different he can claim that the government has broadly met the remit he set back in July. The other key element in this year's reforms of the system – a switch to a new control total for spending which excludes those programmes most vulnerable to the economic cycle – has set the government's medium-term objectives in a more rational perspective.

It must not be assumed that the government will stick to those objectives. The reintroduction yesterday of a 1970s-style pay policy underlined that U-turns come cheap after the turmoil of the past few months. But Mr Portillo can claim that the settlement he has mapped out – much tighter in the second and third years than in the first and with the cuts biting deeply on areas such as defence – has at least provided a coherent framework.

In the process the chief secretary has won himself plenty of plaudits. His confident, sometimes stubborn, negotiating style has impressed cabinet colleagues. His diligence and grasp of detail has prompted one senior Treasury official to remark that he is the sharpest minister he has worked with since Mr Lawson.

Mr Portillo's illiberal instincts are not to everyone's taste. He is in favour of hanging, and an apparent believer that many of the poor and disadvantaged have no-one to blame but themselves. He has blind spots; he believed that the poll tax represented a rational approach to local authority finance. His approach to Europe – he is publicly loyal about the Maastricht treaty but privately hates it – comes strangely from one born of a Spanish father.

But if the chief secretary is the standard-bearer of the Tory right, he is also a politician looking to the future. He is ready to smooth if not smother his ideology with the politics of realism. He wants to be prime minister. In five or perhaps 10 years time he may well achieve his ambition.

MANAGEMENT

Chip makers are placing greater emphasis on winning customer approval, says **Michiyo Nakamoto**

Building networks

When Texas Instruments decided it needed to improve its services to customers, it sent teams of managers, design engineers and even accountants, to talk to personnel of all ranks within its customers' companies.

Service improvement, it was found, could be made at any level. For example, at ICL, the UK-based computer manufacturer which is one of Texas Instruments' important customers, discussions led to a new system of managing supplies.

In the past, ICL staff receiving goods from Texas Instruments had to open each package – which could contain up to 10,000 components – confirm the contents listed on the packing note and computerise the data. Now, the data provided in bar-code by Texas Instruments is read by ICL's bar-code system and goes automatically into its computer system.

Texas Instruments' efforts in paying greater attention to its prospective customers' needs paid off when it became one of eight semiconductor suppliers to win "accredited vendor status" from ICL last year, allowing the closest relationship between supplier and customer. Texas has also won, for the second year running, the chip users' top customer satisfaction award.

Texas is not alone in placing a high degree of emphasis on winning customer approval for its work: customer satisfaction is becoming as crucial to success as technological skills or manufacturing capabilities.

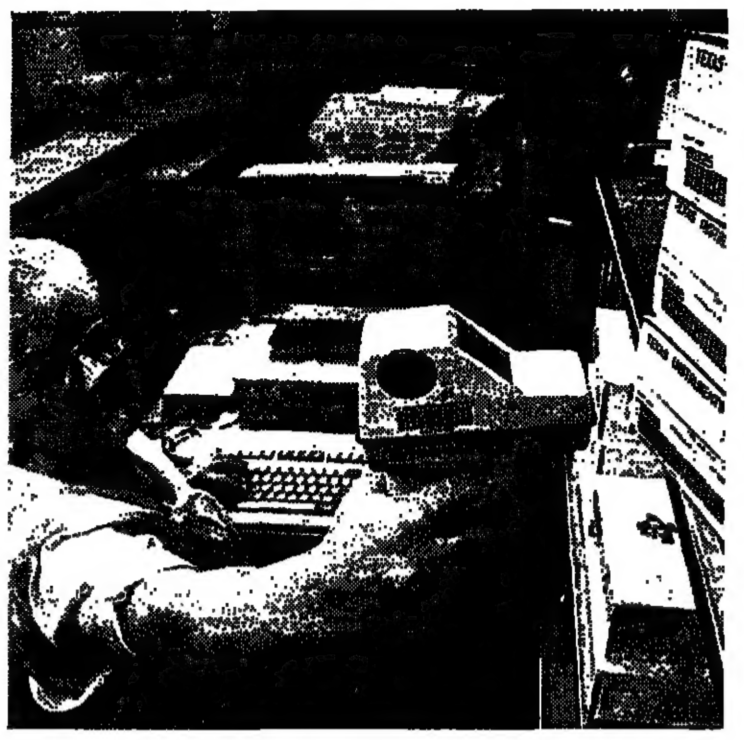
Some manufacturers have established "cost of ownership" programmes. Customers are asked to log the hidden costs – including, for example, availability of hardware and software support, delivery times, excess inventory and the need to inspect products – connected with buying and owning products from rivals, compared with themselves.

If, for example, it takes a chip user a long time to procure a particular product, or there are delivery problems and product defects upon arrival, it will cost the user that much more to "own" the product.

Contact between suppliers and customers has commonly become more frequent and may embrace discussions of industry-wide issues, rather than just focusing on sales. Says Ken Sanders, general manager of Texas Instruments in the UK: "In the past we would go to see the customer only when we were trying to sell him a product or when something went wrong."

The new-found enthusiasm for listening to customers reflects significant changes in the industry:

● Competition has become so intense that leading companies have been turning to improving customer relationships as an important way of distinguishing themselves from their competitors.



The customer comes first: Texas Instruments' bar-code system in action

Greater global competition has made it difficult for any one company to maintain a dominant position in a particular field for long. While leading-edge technologies and a strategic product range are crucial to success, increasingly they are no longer enough on their own.

According to George Fisher, chairman and chief executive of Motorola, the US communications and electronics group: "In the US for a long time we let technology be the differentiator and forgot the fact that customer satisfaction and quality were equally important."

'For a long time we let technology be the differentiator and forgot that customer satisfaction was equally important'

● Chip users increasingly insist that their suppliers meet rigorous demands. Many users, such as computer and consumer electronics manufacturers, are locked in fierce competition and need to respond rapidly to changing markets. For that, they must be sure that their suppliers can provide them with what they need, when they need it.

Emphasis on delivery times and product quality has become greater than ever before. While in the past a customer may have expected delivery in a particular week, today the amount of leeway given is limited to one or two days, if not hours.

As a result of the important role their suppliers play in their own success, a growing number of chip users have taken to making stringent monthly assessments of their suppliers on factors ranging from product quality to cost and delivery time, and letting them know how they score on each point.

Semiconductor users also need to have up-to-date information on which suppliers are the most reliable. This is because they want to restrict their dealings to a small group of the best performers, since it is costly and time-consuming to assess a large number of suppliers for each particular project.

Because of the need to disclose sensitive product plans to chosen suppliers from an early stage in the development cycle, users want to know which suppliers are reliable.

● There is some evidence to suggest that working closely with customers leads to greater success and speed in product development.

Some years ago, Motorola, the US semiconductor and communications group, commissioned a study by Jagdish Sheth, a management consultant, who reported that the chances of a product succeeding can be much higher when a customer is involved in the development process. According to Sheth, 65 per cent of products developed with no input from customers fail.

Motorola was encouraged by the study to enter a number of collaborative projects which it believes has enabled it to develop more innovative products and to do so faster than would have been possible on its own.

It has a joint design team with Philips in Eindhoven that has been working on CD-I, the Dutch consumer electronics group's new compact disc-based entertainment system, since it was in the concept stage. Similarly, Motorola has a design team working with British Telecommunications on video conferencing and multi-media.

Says Mike McCourt, Motorola's director of sales and marketing in the UK and Ireland: "In the past we would not have had a dedicated team working for one customer but would have worked to develop a generic product."

The old way of doing things was more time consuming and would have meant taking longer to get the product to market. As time to market may mean the difference between winning and losing the product war, customer satisfaction is becoming less an issue of rhetoric and more a matter of survival.

Juggling careers in the jobs circus

Catherine Milton describes why skilled 'knowledge' workers are best placed to succeed in the 1990s

Highly skilled "knowledge" workers will be well-placed to win the small number of new jobs with prospects in the UK during the rest of this decade. They will be the survivors as people struggle to avoid seeping into the pool of temporary and less-skilled workers in the labour market of the 1990s.

The research, conducted by Professor Amin Rajan and published by the Institute of Careers Guidance and the Create employment consultancy, concludes that the scale of new job creation after the recession will be small. About 1.9m new jobs will be created in value-added service occupations, at a time when 1.2m blue-collar jobs will go.

The report* suggests the trend for employers to retain a small core workforce complemented by a temporary periphery staff with limited prospects will become even more pronounced.

Skilled knowledge workers at all levels in workplace hierarchies will benefit from this shift at the expense of the less-well trained.

But knowledge workers, the product of the second industrial revolution, are far from ideal employees. Their typically attractive higher-level qualifications and impressive work experience will be frequently offset by "a high sense of self-worth, individualism, autonomy and enterprise – almost prima donnas – that make them difficult to manage".

Worse still for employers, these people are unlikely to consider loyalty to an organisation as important as loyalty to their "craft" and will move jobs without compunction in search of greater job satisfaction or more money.

Even the most skilled worker is, however, unlikely to survive in the workplace of the 1990s without a talent for juggling "multiple careers" and a commitment to continuous training.

This is because of the link between flexible working and competitiveness. The trend towards teams providing customised services for particular markets will mean those who cannot offer multiple skills will be marginalised in the labour market.

The new jobs are expected to be created in four groups of service industries: more than 240,000 will come from hotel and catering; 400,000 from business services; 650,000 from other services and 670,000-plus from health, education and other public services.

About 200,000 jobs are likely to be shed in primary industries and utilities (for example, agriculture, oil and gas) and about 1m across manufacturing, except motor vehicles. Engineering is expected to lose about 250,000 jobs from a base of 2.4m in 1990.

The shift towards white-collar work will favour women in particular, as will the increase expected in part-time working. Self-employment among both sexes is expected to increase slightly. But the report says: "This does not necessarily imply that the constraints that have hitherto hindered the upward mobility of women in managerial and professional work will weaken."

The research suggests employers will keep alive gender stereotypes which have contributed to the segregation of women into jobs with relatively low pay and status, at least in industries providing "personal services" such as hairdressing and hotels.

The report says that five broad occupational groups will grow: technicians, multi-skilled craftworkers, secretarial (part-time), junior clericals (part-time) as well as health and welfare professionals.

Above all, success means staying one step ahead of the market because "the expanding occupations in this decade may well be the contracting ones in the next: who knows!"

**1990s: Where Will the New Jobs Be? Institute of Careers Guidance, 27A Lower High Street, Stourbridge, West Midlands, DY8 1TA; and Centre for Research in Employment and Technology in Europe, 2 Holly Hill, Vauxhall Lane, Southborough, Tunbridge Wells, Kent, TN4 0XD. Price £12.50.*

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DIE WELT
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Under fire from both sides

Landowners and environmentalists object to new rules on contaminated land, writes **Vanessa Houlder**

Back in 1989, when concern about the environment began to gain a firmer grip on the UK, there was widespread support for new government proposals to identify contaminated land. This was seen as an important step towards protecting future generations from the legacy of the country's industrial past.

But the Department of Environment's first set of proposals, issued in May 1991, were withdrawn after a barrage of complaints from landowners. Now the DoE is fleshing out a second set, and it is once again coming under fire.

One one side, the environmental lobby believes the proposed regulations are ineffectual. On the other, the business lobby believes they will depress property values, trigger a flood of legal claims and set back efforts to regenerate derelict land.

The thinking behind the proposals is that landowners should be held responsible for pollution on their land (even if they did not cause the contamination or if it took place before they owned the land) because the owners would benefit from any increase in land values when it was cleaned up. But in the interest of fairness, prospective buyers of land should be protected by the provision of information about any contamination.

So far, so fair. But working out the details of implementing these proposals has proved unexpectedly difficult for the DoE (which ironically would see its own headquarters, on the site of a former gas works in Marsham Street, caught in the net of the new proposals).

The problem is that drawing up a precise register of contaminated land, and of what is required to clean it up, would involve extensive testing which would be too expensive and time-consuming. Instead, local authorities are expected to consult old maps and documents to identify areas where there was a possibility of past pollution – a process that will take about 15 months.

The DoE's first set of proposals set out more than 40 contaminative uses that should be registered, including the obvious polluting industries, such as oil refineries and gas works, as well as less obvious candidates, such as dry cleaners and demolition sites. Landowners feared that these proposals would result in registering whole swathes of the country. It was, they said, a case of taking a sledge-hammer to crack a nut.

The revised proposals, circulated this summer, made significant concessions to landowners. They required local authorities to notify owners of the intention to register land and gave owners the right to challenge intended entries. The register will be split into two parts: one to record land which has not been investigated or treated and the second to record land where remedial works have been undertaken.

Most important, the revised scheme reduced the area of land covered by the register to 10-15 per cent of that envisaged by the previous proposals. The list of contaminative uses – which may be extended in the light of experience – is confined to those "where there is a very high probability that all land subject to those uses is contaminated unless treated".

But these revised proposals triggered just as much complaint as the earlier version. The only consolation for the DoE is that opposition to the proposals has come from both sides of the environmental debate.

> **'The hard-won success in bringing back development to cleared urban sites will be reversed'**

Environmentalists think the scope of the new proposals is far too narrow. It highlights the government's "out of sight, out of mind" approach to contaminated land, says Friends of the Earth, the environmental pressure group.

The Royal Commission on Environmental Pollution says the restricted scope of the proposals will be "an obstacle to the difficult task of carrying out remedial work needed to protect water resources from contamination".

But the proposals have come under just as much fire from industry, particularly landowners. The Association of British Chambers of Commerce wants the government to cancel plans for the register, which it says has "serious implications for the economy" because of its likely impact on land values.

The property industry was not impressed by the government's proposal to split the register into two parts. "A two-tier system will be not be understood by the public and will simply add to the confusion," says Mr Christopher Jonas, president of the Royal Institution of Chartered Surveyors.

Nor did the industry relish the prospect of applying to the local ombudsman or seeking judicial review to challenge the inclusion of their land on the register. "We believe that there should be a suitably qualified inspectorate appointed to deal with such cases and whose powers should be extended to deal with sites included on the register unjustifiably," says Grimley JR Eve, a London-based firm of chartered surveyors.

But the most serious problem for landowners is that contaminated land cannot be removed from the register after it has been treated. The government's logic is, first, that information on the site's history will be necessary when any future change of use is proposed. Second, contamination from the site may have migrated to adjacent sites. Third, treatment rarely removes all contamination, while new hazards may be discovered over time.

Merry Hill shopping centre: the collapse of an agreement to sell it was blamed partly on its likely appearance on a contaminated register

The new proposals will affect houses and commercial property alike. Already, the prospect of the new registers has scuppered deals. The collapse of an agreement to sell the Merry Hill shopping centre in Dudley in the West Midlands earlier this year was partly blamed on its likely appearance on a contaminated register.

The Merry Hill centre is just one of numerous sites in the Black Country, a heavily industrialised area, which will be affected by the new regulations. The Black Country Development Corporation, which is responsible for 10 sq miles between Birmingham and Wolverhampton, admits to "a catalogue of stability and contamination problems, which can have few rivals in the UK and probably further afield".

However, the corporation insists that all these sites can be reclaimed. "It is physically possible to deal with these sites," says Mr John Nicholls, its development director. "The concern is not whether the sites can be physically repaired but the perception of the property industry and the banks."

Indeed, it remains to be seen whether lenders and investors will take a flexible attitude to financing deals on contaminated land. A straw poll conducted by Drivers Jonas, the chartered surveyor in London, found that banks and financial institutions would need a considerable amount of persuasion to fund projects on land appearing on the register. The respondents feared that contamination would spread beyond the site and that the clean-up requirements for land on the register would increase.

If investors and lenders do react in this fashion, it will damage land values and blight land, particularly in the inner cities. Critics, such as the Royal Institution of Chartered Surveyors, detect a certain irony in the publication of the revised proposals on contaminated land in the same month as the Urban Regeneration Agency was launched with a brief to bring development to 150,000 acres of vacant land in towns and cities.

"The recent hard-won success in bringing back some development to cleared urban sites will be reversed," says Mr Michael Pattison, chief executive of the Royal Institution.

The controversy generated by these proposals shows that there are no quick fixes when it comes to cleaning up the country's industrial heritage. Unless the proposals for a contaminated land register are substantially amended, it seems that a heavy price will be paid in an effort to improve environmental standards.

RENTAL GROWTH (%)

	Retail	Office	Industrial	All Properties
Year to Sep 92	-1.8	-14.6	-7.2	-7.9
Quarter to Sep 92	-0.7	-4.2	-2.5	-2.4
Month of Sep 92	-0.2.	-1.3	-1.3	-0.9

Investment Property Databank

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Mr. S. L. Ahuja, Assistant General Manager
UCO BANK
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CONTRACTS & TENDERS

PETROLEOS MEXICANOS
PEMEX-EXPLORACION Y PRODUCCION
INVITATION TO OFFSHORE DRILLING COMPANIES
TENDER NO. CPEP-85/92
Pemex-Exploración y Producción invites companies with experience in offshore drilling to participate in the bidding for the award of the contracts on the turnkey basis for the drilling of 14 offshore development wells with the support of mobile drilling units (jack-ups). The wells are distributed in 4 groups of 2 and 4 wells, with depts from 3,700 m. to 4,500 m., all of them located in the Campeche Bay in the Gulf of Mexico with water depths from 50 m. to 55 m.
Registration for this tender will commence with the publication of this invitation until November 27th, 1992. Opening of bids will be on December 14th, 1992.
All necessary information to participate in this tender should be requested by fax or telex, to the following numbers in Mexico City: fax: (525) 254 7608; telex: 1773062 PMITME or 1773513 PMITME; tel: (525) 255 4214. Attn. Mr Alejandro Marquez y Albo.
November 13th, 1992

ART GALLERIES

PHILIP GRAHAM CONTEMPORARY ART 9a–11 Bonhill Street, London EC2. "Reflections" Ian Gardner, Watercolours; Geoff Woodhead, Paintings. Tues – Sat 11am – 6pm.

PERSONAL

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NUOVA CARTIERA DI ARBATAX S.p.A.
"in Amministrazione Straordinaria"
Advance Notice of sale and search for non-binding offers for the Nuova Cartiera di Arbatax S.p.A. "in Amministrazione Straordinaria" industrial complex
"Il Commissario Straordinario" Dr. Alberto Dondena
WHEREAS
that it is in the interests of the procedure at the present stage to publish a notice of sale in order to carry out a market survey based on the collection of offers and/or declarations of interest
INVITES
all those interested in buying the industrial and patrimonial complex of Nuova Cartiera di Arbatax S.p.A. "in Amministrazione Straordinaria" to send their duly quantified offers or declarations of interest to Dr. Mario Ventura, public notary in Milan (Milan – Via San Vito n. 18) by registered mail with return receipt. They should be sent in a sealed envelope and should arrive within and not later than 20 days of the date of publication of this notice.
Subsequently "Il Commissario" reserves the right, once he has obtained the necessary authorizations, to carry out direct sales negotiations and/or hold a call for bids.
For any further information or explanation please contact "Il Commissario" at his office in Milan, Via Volturno, n. 37 – Tel. 02/69001484 – 02/6898128 – Fax 02/66803344.
N.B.: This notice has been published in Italian and in English. If there should be any differences between the two texts, the Italian text will prevail.
NUOVA CARTIERA DI ARBATAX S.p.A.
"in Amministrazione Straordinaria"
"Il Commissario"
Alberto Dondena

GREEK EXPORTS S.A.
REPEAT TENDER FOR THE HIGHEST BID
GREEK EXPORTS S.A., registered office in Athens (17 Panepistimiou Street) and in its capacity as Liquidator in accordance with article 46a of Law 1892/1990, as supplemented by article 14 of Law 2000/1991, following the written statement (Ref. No. 604 of 4.11.1992) of the creditor of para. 1 of the above article, that the offers submitted are not considered to be in the interests of the creditors and in accordance with para. 11 of the same article
ANNOUNCES
[illegible]
For any information, interested parties can apply to:
a) The Head Office of E.T.B.A. S.A., Directorate of Public Holdings
Tel. 30 1 92 94 395 and 30 1 92 94 396 and to
b) GREEK EXPORTS S.A., Tel. 30 1 32 43 111 to 30 1 32 43 115
GREEK EXPORTS S.A.

BUSINESSES FOR SALE

NUOVA CARTIERA DI ARBATAX S.p.A.
in Amministrazione Straordinaria
Preavviso di vendita e ricerca di offerte non vincolanti del complesso industriale della Nuova Cartiera di Arbatax S.p.A. in Amministrazione Straordinaria
Il Commissario dott. Alberto Dondena
PREMESSO
– che è interesse della procedura nell'attuale fase pubblicizzare un avviso di vendita, finalizzato ad un sondaggio del mercato attraverso la raccolta di offerte e/o dichiarazioni di interesse
INVITA
tutti gli interessati all'acquisizione del complesso industriale e patrimoniale della Nuova Cartiera di Arbatax S.p.A. in Amministrazione Straordinaria ad indirizzare per raccomandata A.R. al dottor Mario Ventura, notaio in Milano (Milano – Via San Vito n. 18) le loro offerte e/o dichiarazioni di interesse debitamente quantificate che dovranno pervenire in busta chiusa entro e non oltre 20 giorni dalla pubblicazione del presente avviso.
Il Commissario si riserva, all'esito, acquisite le necessarie autorizzazioni, di avviare trattative dirette di vendita e/o di procedere a gara.
Il Commissario è a disposizione per ogni informazione e chiarimento presso il suo ufficio in Milano, Via Volturno, n. 37 – Tel. 02/69001484 – 02/6898128.
Fax 02/66803344.
NUOVA CARTIERA DI ARBATAX S.p.A.
in Amministrazione Straordinaria
Il Commissario
Alberto Dondena

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Grant Thornton
The U.K. member firm of Grant Thornton International. Authorised by the Institute of Chartered Accountants in England and Wales to carry on investment business.

Halpern Woolf & Partners
By Order of the Joint Administrative Receivers
D. Nisbet Esq. B.Sc., M.I.P.A., M.S.P.I. and A.H. Tomlinson Esq. B.A., F.C.A.
Re: BLOSSSOM AND BROWNE LIMITED
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By Order of the Joint Administrative Receivers Jamie Taylor F.I.P.A. and Peter Gotham F.C.A. of Taylor Gotham
Re: J T Worricker (Retail) Ltd T/A Worrickers
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CONTRACTS & TENDERS

PRE-QUALIFICATION NOTICE
MF/CE/850 PRE-QUALIFICATION FOR THE REHABILITATION OF THE GREAT EAST ROAD FROM LUSAKA VIA CHIPATA TO THE MALAWI BORDER (APPROXIMATELY 580 KM IN LENGTH)
Contractors interested in being pre-qualified to tender for the Rehabilitation of the above mentioned project are requested to indicate their interest by contacting the Director, Zambia National Tender Board, PO Box 31009, Lusaka, and obtaining a copy of the Standard Pre-qualification Form. Forms will only be distributed on payment of a non-refundable fee of K2,000 cash or bank certified cheque.
Pre-qualification is open to contractors and joint ventures of contractors from member countries of the African Development Bank or participant states of the African Development Fund.
The anticipated works include approximately 180 km of resealing, 103 km of pavement regulating/reconstruction possibly by recycling/remixing using specialised plant, and pothole and edge repairs on the remaining 297 km.
The previous pre-qualification for this project has been cancelled and all interested contractors must apply for and re-submit the standard pre-qualification forms.
Completed forms should be submitted to the Zambia National Tender Board not later than January 15th 1993 at 14:00 hours local time.

BUSINESSES FOR SALE
Appear in the Financial Times on Tuesdays, Fridays and Saturdays.
For further information or to advertise in this section please contact
Melanie Miles on 071 873 3308
Karl Loynton on 071-873 4780
FINANCIAL TIMES
EUROPE'S BUSINESS NEWSPAPER

PEOPLE

Investing in links in the chain

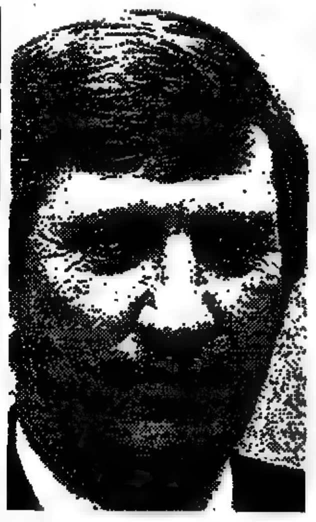
Charles Lousada, who runs his own Bedford-based property company, has stepped in to rescue the Invest in Britain Campaign, by temporarily financing it and taking over as chairman. He replaces broadcaster David Jacobs, who has been made vice-president.

The campaign, started in a bid by the current director Margaret Charrington and her apple-growing husband to stem the flow of French Golden Delicious into British supermarkets, is ten years old but had exhausted its voluntary funding sources of donations from companies and individuals.

So Lousada, who is incensed at such things as the British propensity to import bottled water, stepped in. He says he has for years been "preaching the gospel" of buying British, particularly as regards cars, to acquaintances in Bedford; he himself drives a Range Rover and a Jaguar, though confesses that he breaks the rules when indulging his passion for flying *small helicopters because of* the plain lack of a suitably-sized British product.

One of his first initiatives is to start a chain letter requesting donations of £10 towards refloating the campaign. A chain letter? "Yes, it is slightly embarrassing," he agrees. (Instructions to the sender include telephoning an apology to the prospective recipient for making the contact in the first place.) *"But we had to do something quite dramatic.* And it is working; total strangers are sending in money."

Lousada, 54, founded his eponymous property company in 1969; he is also non-executive chairman of The Imperial Bathroom Company, a manufacturer of upmarket bathroom equipment, in which he con*trols 25 per cent of the shares.*



Sol Kerzner, chairman of Sun International and founder of Sun City, the leisure and gambling resort in the South African homeland of Bophuthatswana, is to open his latest creation next month. Lost City, adjacent to Sun City, boasts *the world's first* man-made tropical rain forest and wave pools the size of rugby fields.

Once Lost City is open, Kerzner intends to focus on Europe where he has said he wants to build an attraction to rival Euro Disney. To strengthen its European operations, Sun has appointed Roger Wharton (left) as European sales and market*ing director. With the company* for 14 years, Wharton will be based at the European headquarters at Henley on Thames.

Non-executive directors

■ Wilfrid Newton, chairman of London Regional Transport and London Underground, at MIDLAND BANK; he is already a non-exec at HSBC Holdings, Midland's parent, and was formerly chief executive of Turner and Newall *and chairman of the* Hong Kong Mass Transit Railway.

■ Sir Alexander Graham, deputy chairman of Frizzell Group, and Loes Geerlings-Bon, senior vice-president of ABN-AMRO Bank, at EMPLOYMENT CONDITIONS ABROAD.

■ Alan Binder, former *president of Shell International* Trading Company, as chairman of EXPRO INTERNATIONAL GROUP.

■ Young-Hye Chin has resigned from PACIFIC HORIZON INVESTMENT TRUST.

■ Edwin Clatterbuck has retired from THOMAS WALKER.

■ *John Walters, formerly* director of international operations at Coates Bros, at WOLSTENHOLME RINK.

Sherlock joins Allied Leisure

Peter Sherlock, whose abrupt departure as an executive director of Bass last month surprised the stock market, is returning to an industry he knows well, as a non-executive director of Allied Leisure.

Sherlock, 47, played a key role in building up Bass's leisure division, before moving over to the company's Holiday Inns hotel operations in Atlanta. There has been little comment on Sherlock's reasons for quitting Bass, where he was regarded as one of the young high fliers, but analysts have speculated that whereas he was running Bass's leisure business, he was only one of several executives on the hotel side.

Allied Leisure, which came to the stock market in 1987, is one of the smallest companies in its sector but is one of the *more profitable. It is third big*gest in ten-pin bowling where Bass has a big presence and also owns night clubs.

Richard Carr, the 34-year-old founder of the company, says that he hopes Sherlock's experience will help the company add a third leg to its business. He is selling 600,000 of his own shares to Sherlock but refuses *to comment on speculation* that Sherlock may be groomed to become chairman. However, Carr says that he intends to split his role as chairman and chief executive before next July so that he can concentrate on being chief executive.

Aiming to 'gain traction' at P-E

A slimmer, more efficient main board is George Cox's aim at P-E International, *and the prin*cipal reason behind a management reshuffle which gives new responsibilities to Peter Smith, appointed managing director of the group's management consulting business, and to Michael Wale, who will combine the roles of company secretary and finance director.

Cox took over as executive *chairman of the UK-based con*sulting group last May and has been seeking ways of sharpening P-E's competitive edge. At the interim stage the group reported profits of only £514,000 on fees of £35.5m. The board changes, he says, are a way of combating a tendency to "expend too much energy running the engine rather than gaining traction".

Smith, aged 45, was chairman and chief executive of the management consultancy *Handley-Walker*, acquired by P-E in 1991. He takes over from David Blore who will take up a new appointment within the group, focusing on major consulting projects and key clients.

Wale, 56, replaces John Platt who is leaving the group. Cox says his intention is to reduce the number of non-executive *directors from four to three*, leaving a seven-strong main board. He says trading conditions remain tough and that performance over the next six months is hard to predict; order intake, however, has been strong.

LEGAL NOTICES

INSURANCE COMPANIES ACT 1982
LAS INVESTMENT ASSURANCE LIMITED
LAS PENSIONS MANAGEMENT LIMITED
THE LIFE ASSOCIATION OF SCOTLAND LIMITED

[illegible]

Company Number 840393
Registered in England
FRIARY HOLDINGS LIMITED
(Joint Administrative Receivers Appointed)

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at The Grand Hotel, Colmore Row, Birmingham on Tuesday 24 November 1992 at 10.30am *for the purpose of* having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to us at 43 Temple Row, Birmingham B2 5JT, no later than noon on 23 November 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Dated 3 November 1992
David R Wilson and Ian N Carruthers
Joint Administrative Receivers

Company Number 2378341
Registered in England
FRIARY JOINERY & INTERIORS LIMITED
(Joint Administrative Receivers Appointed)

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at The Grand Hotel, Colmore Row, Birmingham on Tuesday 24 November 1992 at 10.30am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

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(a) they have delivered to us at 43 Temple Row, Birmingham B2 5JT, no later than noon on 23 November 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Dated 3 November 1992
David R Wilson and Ian N Carruthers
Joint Administrative Receivers

Company Number 2378235
Registered in England
FRIARY CONSTRUCTION LIMITED
(Joint Administrative Receivers Appointed)

NOTICE IS HEREBY GIVEN, pursuant to Section 48(2) of the Insolvency Act 1986, that a meeting of the unsecured creditors of the above named company will be held at The Grand Hotel, Colmore Row, Birmingham on Tuesday 24 November 1992 at 10.30am for the purpose of having laid before it a copy of the report prepared by the administrative receivers under Section 48 of the said Act. The meeting may, if it thinks fit, establish a committee to exercise the functions conferred on creditors' committees by or under the Act.

Creditors whose claims are wholly secured are not entitled to attend or be represented at the meeting. Other creditors are only entitled to vote if:

(a) they have delivered to us at 43 Temple Row, Birmingham B2 5JT, no later than noon on 23 November 1992, written details of the debts they claim to be due to them from the company, and the claim has been duly admitted under the provisions of Rule 3.11 of the Insolvency Rules 1986; and

(b) there has been lodged with us any proxy which the creditor intends to be used on his or her behalf.

Please note that the original proxy signed by or on behalf of the creditors must be lodged at the address mentioned; photocopies (including faxed copies) are not acceptable.

Dated: 9 November 1992
David R Wilson and Ian N Carruthers
Joint Administrative Receivers

IN THE SUPREME COURT OF BERMUDA
NO 282 OF 1992
IN THE MATTER OF
LONDON UNITED REINSURANCE COMPANY (BERMUDA) LIMITED
IN LIQUIDATION
and
IN THE MATTER OF THE COMPANIES ACT 1981
and
IN THE MATTER OF THE INSURANCE ACT 1978
(Under an Order for Winding-Up the above-named Company, dated 4th day of September 1992)
NOTICE TO CONTRIBUTORIES OF FIRST MEETING

NOTICE IS HEREBY GIVEN that the First Meeting of Contributories in the above matter will be held at the offices of Cork Gully, Dorchester House, 7 Church Street, Hamilton, BERMUDA on the 15th day of December, 1992 at 10.30 a.m.

Proxies to be used at the Meeting must be lodged with me not later than 5.00 p.m., on the 11th day of December, 1992.

Dated this 4th day of November, 1992.
Peter C.B. Mitchell
Joint Provisional Liquidator
Cork Gully
Dorchester House, 7 Church Street, P.O. Box HM 1171, Hamilton, BERMUDA HM EX

NOTE
(The Company's Statement of Affairs has not been lodged)
At the First Meeting of Creditors and Contributories they may amongst other things:
1) By resolution determine whether or not an application is to be made to the Court to appoint a Liquidator in place of the Official Receiver,
2) By resolution determine whether or not an application shall be made to the Court for the appointment of a Committee of Inspection to act with the Liquidator, and who are to be the members of the Committee if appointed.
NOTE: If a Liquidator is not appointed by the Court the Official Receiver will be the Liquidator.

NOTICE OF APPOINTMENT OF LIQUIDATOR
VOLUNTARY WINDING UP
(Members or Creditors)
Pursuant to section 109 of the Insolvency Act 1986
HAYNE PROPERTY COMPANY LIMITED
Company Number: 571157.
Nature of business: Property Company
Address of registered office: Messrs Kidd Rapinet, 14/15 Craven Street, London WC2N 5AD
Liquidators names and address:
Richard William James Long and Ice Jacob, Bryanston Court, Selden Hill, Hemel Hempstead, Herts. HP2 4TN
Office holder numbers: 8069 and 2122
Date of appointment: 21 October 1992
By whom appointed: Members
Dated this 27th day of October 1992

INSOLVENCY ACT 1986
NOTICE TO CREDITORS
HAYNE PROPERTY COMPANY LIMITED
(In Members Voluntary Liquidation)

NOTICE IS HEREBY GIVEN that the creditors of the above named company are required on or before the 4th day of December 1992, to send their names and addresses, with particulars of their debts and claims to the undersigned Richard William James Long and Ice Jacob of Pitman Pirelle, Bryanston Court, Selden Hill, Hemel Hempstead, Herts HP2 4TN the Joint Liquidators of the company, and if so required by notice in writing from the Joint Liquidators of the company, and if so required by notice in writing from the Joint Liquidators either personally or by their solicitors, to come in and prove their debts or claims at such time and place as shall be specified in such notice and in default thereof they will be excluded from the benefit of any distribution made before such debts are proven.

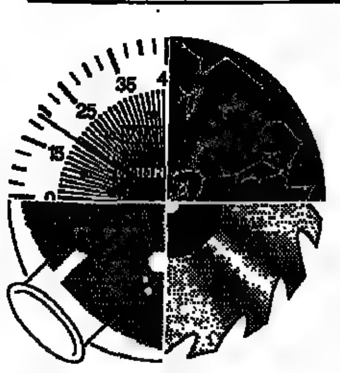
Note: This notice is purely formal and all creditors have been or should be paid in full.
Dated 5th day of November 1992
R.W.J. Long and I. Jacob, Joint Liquidators

IN THE MATTER OF
RAYWARD BROTHERS LIMITED
AND IN THE MATTER OF
THE INSOLVENCY ACT 1986

In accordance with Rule 4.106 of The Insolvency Rules 1986 notice is hereby given that I, Peter S Dunn FCA, a Licensed Insolvency Practitioner of Latham Crossley & Davis, 7 Kenrick Place, London W1H 3FF, was appointed Liquidator of the above Company by the Creditors on 11th November 1992.
Dated this 11th November 1992
Peter S Dunn FCA, Liquidator

TECHNOLOGY

Worth Watching · Della Bradshaw



Memo card that takes dictation

Why do the best ideas always emerge when you're in the bath or driving along the motorway, with no scrap of paper at hand to jot them down?

With this in mind, Creative Technologies Marketing, of Douglas, Isle of Man, has developed a voice memo card, the size of a credit card, which can be used for recording phone numbers, messages or simply transient thoughts. Four buttons on the surface enable the owner to record, stop, erase or play back the messages.

The card, which can be kept in a pocket or on the dashboard of a car, uses chip from Texas Instruments to record up to 24 seconds of personal memos, which should hold up to about six messages. The voice memo card will retail at £24.95 from December. Creative Technologies Marketing: UK, 071 266 2263.

Touchy screen under pressure

Companies interested in touch-screen technology but reticent to throw away existing personal computers could find the answer in TouchMate, a two-inch high, pressure-sensitive platform which sits beneath the PC monitor and converts the ordinary PC into a touch-screen model. Developed in the US by Visage, and sold in Europe by Ellinor Technology, TouchMate costs £850.

When the screen is touched, plates in the platform sense the pressure; from that, TouchMate calculates the location of the pressure. The PC, running Windows software, then carries out the task as instructed.

To install the system the user sits the monitor on the platform and then connects the two via the PC's serial port.

To calibrate the system, the user touches the four corners of the screen. The TouchMate software adjusts constantly to allow for background noise or wobble. Ellinor Technology: UK, 0734 311066; Visage: US, 508 620 7100.

● To save the weary arms of City dealers, Trinitech, of Stamford, Connecticut, has developed a dealing room system incorporating colour touch screens which can sit flat on the desk. The flat screens use the same thin-film transistor technology incorporated in the latest portable computers. Trinitech: US, 203 328 3766; UK, 071 935 1230.

Brighter lights hit the streets

THE flashing yellow Belisha beacon introduced by UK transport minister Leslie Hore-Belisha in the 1930s has become camouflaged in the high street by improved street lighting, brighter shop fronts and a multitude of advertising hoardings.

To help drivers spot the beacons more easily, Geo Safety Products, of Wokingham, together with ICI Acrylics, of Darwin, Lancashire, have developed a more visible yellow dome to sit on top of the installed poles and bulbs.

The dome uses a luminous pigment which converts the light produced from the 60-watt bulb from the red end of the spectrum to the yellow/green end, making it more visible to the human eye. In addition, the plastic dome reflects the sun's ultra-violet light back as visible light during the daytime, while at night a diamond pattern inside the dome refracts the light for increased visibility. Geo Safety Products: UK, 0734 770473.

Chinese way to sounder sleep

Chinese medical techniques have once again come to the aid of western patients with a pair of disposable, plastic mini cones to help insomniacs sleep.

The Isocônes are stuck by adhesive plaster to an acupuncture point on the inside of each wrist. Find the correct spot, say distributors Sea-Band, and golden slumbers ensue. Sea-Band: UK, 0445 251 007.

Andrew Baxter on what happens when innovation is put on ice

A chilling experience

Karl Krapek apologises for the noisy air conditioning in the office in Connecticut from where he runs Carrier, the $4bn (£2.6bn) heating, ventilation and air conditioning (HVAC) equipment subsidiary of United Technologies (UTC).

"It's not one of our systems," the chairman, president and chief executive of the world's largest HVAC company hastens to add. But Krapek, who displays a daunting grasp of all the issues and statistics in a complex, fast-changing industry, will not let it distract him from his task – nothing less than beating the Japanese.

"This is one of the last planned experiments to see if a US company with a global product can maintain leadership against the Japanese," he says ambitiously. "We're sitting here 42 per cent bigger than Matsushita [in HVAC], and my job is to ensure that 20 years from now – whoever's sitting in my chair – we're still there."

After Carrier, which has 11 per cent of the world HVAC market and accounted for about one fifth of UTC's $20.8bn sales last year, Japanese companies rank second to eighth with a combined 45 per cent share. And while HVAC may not be able to match UTC's Pratt & Whitney jet engines and Sikorsky helicopters for glamour, there is plenty at stake.

Carrier expects the world HVAC market to grow by more than 65 per cent to $40bn by the end of the century, paced by growth in the Pacific Rim but also by expansion in Europe – which is emerging as the key global battleground. The prices are higher and the market is far less mature than North America. On top of that are the untapped opportunities in eastern Europe and the former Soviet Union.

At the same time, the industry – one of the world's big users of ozone-damaging refrigerants – is having to face the cost of responding to environmental pressures by adapting or even redesigning its product ranges.

For all these reasons, Krapek wants Carrier to be financially stronger. "Our profits have been too low over the past couple of years to even threaten the survivability of the company," he says, "and I don't want to go to UTC for investment dollars."

Up until 1988, it looked as if Carrier, whose founder Willis Carrier gave birth to the air conditioning industry, was playing right into the hands of its newer Japanese competitors. Carrier made his first sale of "Apparatus for Treating Air" in 1904, and the company has by far the broadest product range in the business, from small window-mounted room-conditioners to huge chillers for office blocks and shopping malls.

But in the mid-1980s, it was underspending on technology, under-using the potentially significant benefits of learning from its UTC sister companies, and – by viewing air conditioning as a commodity product – had lost its focus on customer service.

As a result, Carrier let its Japanese rivals steal a march on product features and innovation at the smaller end of the market. The venerable US company lost eight points of North American market share from 1985 to 1991.

The fight back began in 1988, when George David, the senior UTC executive who had oversight of both Carrier and Otis Elevator, decided that technology in the air conditioning industry did matter.

William Wilson, Krapek's predecessor at Carrier, set in train a recovery strategy, while Krapek joined Carrier from Otis in September 1990 and has had the difficult task of implementing the strategy.

He established six core technologies – heat transfer, compression, air management, refrigerants, indoor air quality and variable speed electronics.

In compression technology – a key area as the compressor can account for one-third of the cost of smaller units – Carrier has leaned heavily on Pratt's expertise in the development of a new range of efficient "scroll" compressors, which have hitherto defied attempts to manufacture them economically.

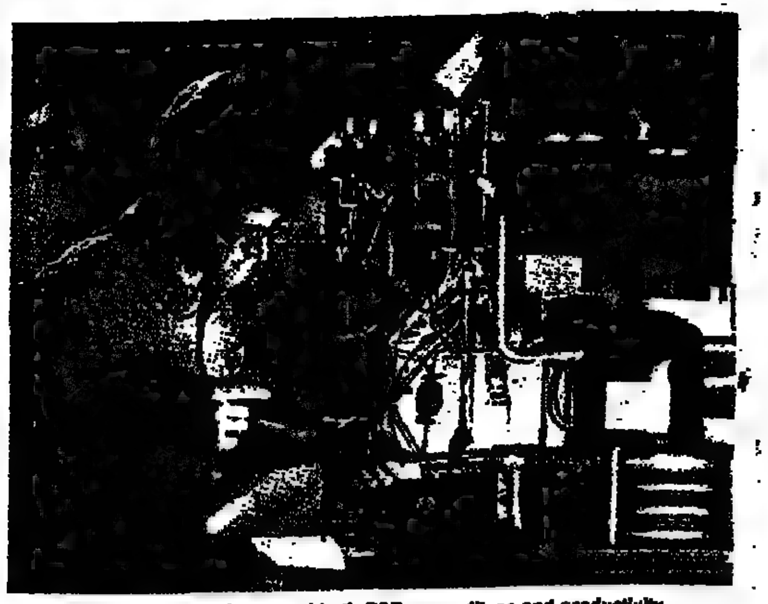
Elsewhere, manufacturing techniques are being modernised, reducing floorspace and raising productivity. In Europe, Carrier's three main factories in France, Spain and Italy are taking responsibility for different product lines, and the Italian plant near Milan is half way through a $60m programme to reduce manufacturing costs.

To help catch up with the electronics expertise of Japanese rivals such as Toshiba, Krapek has hired Gerald Wilson, former dean of the Massachusetts Institute of Technology, to be Carrier's head of engineering. Overall, Carrier's annual research and development spending has risen from 1.6 per cent of sales in 1989 to 3 per cent.

The results are beginning to come through, but it will be a long process. "You don't take big companies like these and fix them in two years," says Krapek.

Last year, Carrier's pre-tax return on sales was a meagre 1 per cent, but, says Krapek, Carrier ought to be up to around 6 per cent by the end of the decade, and in any case needs to get up into the 4-5 per cent range quickly.

Looking ahead, one analyst says, "raising margins to 5-6 per cent ought to be achievable," and Krapek himself feels comfortable with his targets. "I know where the waste is, where the inventory is, where the lead times are still too long, and where we still have the wrong products."



Catching up: Carrier has increased both R&D expenditure and productivity

Firing shots at the influenza virus

A shot in the arm could prevent a week in bed according to the proponents of influenza vaccinations. But in the UK, this particular dose of preventive medicine has found few takers in the corporate world.

Of the 4m to 4.5m doses of 'flu vaccines administered in the UK this year, most will be to elderly people or others at high risk – those with breathing difficulties, for example.

Yet vaccination at £5 a dose could, in many cases, save a company major disruption and a temporary staff bill of hundreds of pounds, should the virus strike.

One theory as to why 'flu vaccinations have been overlooked in corporate Britain is that the drug companies are geared up to selling to family doctors or hospitals, not corporate medical departments.

But companies that do offer vaccination have often found little interest from employees. Individuals are often sceptical about whether vaccinations work and many have painful memories of 'flu jabs in the past.

As to the latter, manufacturers scoff. Gone are the days when the vaccine was given on a Friday afternoon so that employees could recover over the weekend – outside office hours, says Tom Dick, marketing director at Merieux UK.

The latest vaccines are surface antigens where the parts of the virus that promote the immune response are extracted for use. Whole cell vaccines, where virus cells are killed to produce the vaccine, are also used.

As to the efficacy of the vaccines there is widespread debate. The Department of Health claims that 70 per cent of people who have the vaccine will be able to shrug off the virus. More important, the vaccines are more than 90 per cent effective in preventing the life-threatening complications associated with 'flu, such as pneumonia.

The problem, says Douglas Fleming, director of the Birmingham Research Unit of Royal College of General Practitioners, is that people want complete immunity following vaccination. "Because 'flu is such a common disease a lot of people who have been vaccinated will still get the illness," he says.

One reason for this failure is that the virus changes as it spreads. As a result, says Mike Herrity, medical affairs manager at Evans Medical, part of Medeva, manufacturers are always chasing the disease. The vaccine to be administered in the autumn has to be prepared over the summer months following recommendations by the World Health Organisation in February.

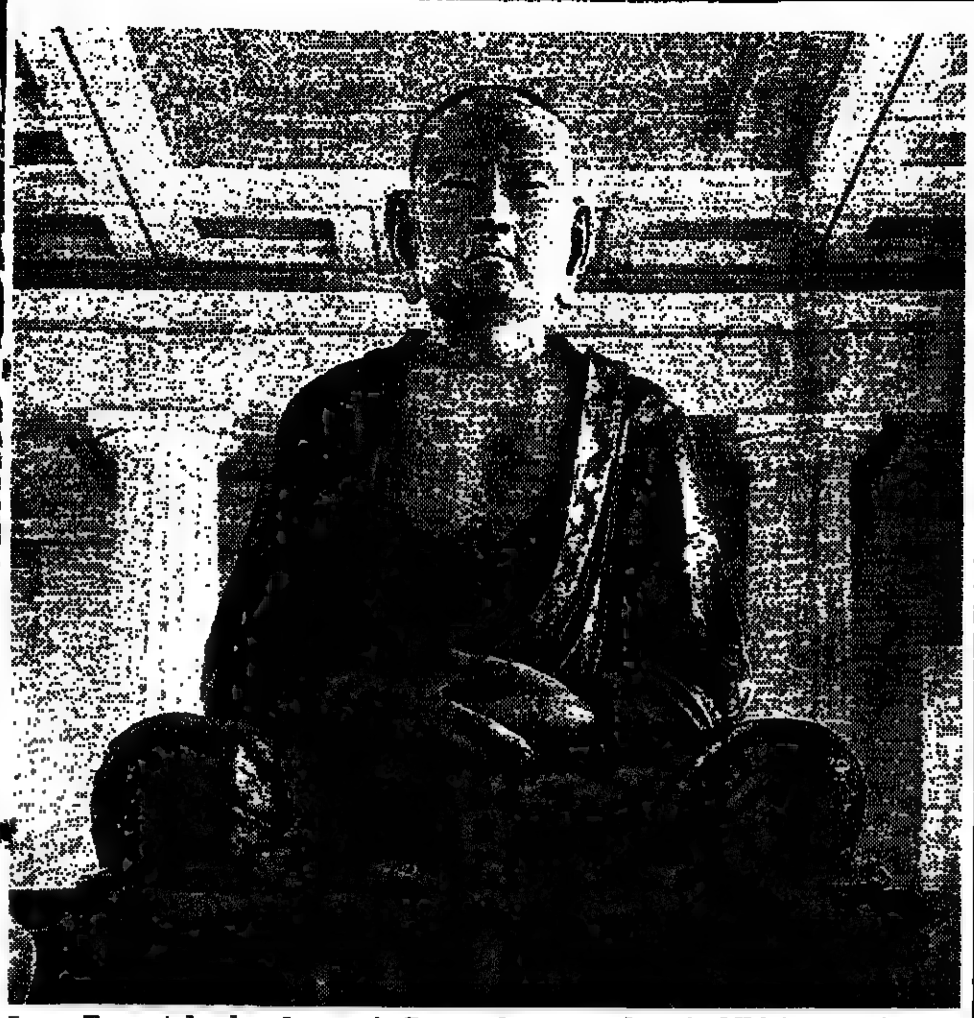
The WHO tracks the spread of viruses from the Far East through Australia and the US, in order to guess which vaccine strains will give best protection against the illness in western Europe. This year the three strains recommended are the same as last year – A Singapore, A Beijing and B Yamagata.

The chances of catching 'flu if not inoculated are impossible to calculate. The WHO and the drug makers admit themselves at a loss when predicting severe 'flu attacks, although the A strains are more serious than the B strains.

One reason for this difficulty is that once every 10 to 20 years the virus, instead of altering character as it spreads, changes its character quite radically. This altered strain of virus catches the medical world unprepared and can result in thousands of lost working hours and even deaths. That said, even in winters where the incidence of the virus is low, between 3,000-4,000 deaths are attributed to 'flu in the UK alone.

Della Bradshaw

ARTS



Large Tang-style glazed ceramic figure of an exemplary Buddhist, 907-1125

Gateway to the Orient

Patricia Morison admires the new Hotung Gallery at the British Museum

The story of the Joseph E. Hotung Gallery of Oriental Antiquities, unveiled this week at the British Museum, has already entered museum folklore. Hotung, an international businessman from Hongkong, collects Chinese antiquities, particularly jades. On every trip to London Hotung would go to peer at the BM's exceptional collection of oriental antiquities on the first floor gallery of the King Edward VII wing.

In this vast, gloomy space, following the path of stray sunbeams used to be the only way to get a good view of the objects. Finally, Hotung told Jessica Rawson, Keeper of Oriental Antiquities, he would like to pay for new lighting. Rawson's opportunistic reply was, why not a total face-lift?

Thanks to Hotung's gift of £2m, the process is complete whereby the unfrequented north entrance to the Museum has become a true gateway to the East. On the ground floor, Islamic art occupies the intimate, ravishing John Addis Gallery; two floors up is the sparsely elegant Japanese gallery. In between is the Joseph E. Hotung Gallery of Oriental Antiquities, a survey of the arts of China, South and South-eastern Asia from Neolithic times to the modern day.

Few galleries in the world can hold a candle to the new Hotung gallery for visual impact – quite apart from the inexhaustible fascination of its contents. Sir John James Burnet's original design, completed in 1914, was very grand although savaged by decades of vandalism. Now again visitors see a clear vista down the centre of this immense pillared room, 110 metres long. Natural light enters each side through tall windows of frosted glass.

A colour scheme of white and gold may sound rather *de trop*, but the Japanese trick of not burnishing the squares of gold leaf means the walls provide a discreetly shimmering background for the gold and brass treasures from a thousand temples. The original mahogany cases still frame each bay, only now they are superbly lit so that one sees from one case through to another, the objects seeming to float in space.

There are even more objects on view than before. Around 30 per cent of the display comes out of storage. For curators of earlier generations (and in some museums the attitude still prevails) gaudily jewelled trumpets from Tibet would seem out of place beside the classically construed excellences of oriental art.

Labelling in the Hotung Gallery is enormously kind to beginners, yet not condescending. The logic of the arrangement is strong, otherwise such quantities of stuff, ranging from jade hair-pins to temple doors, could only give the most infernal indigestion. Extending through the eastern half is China, presided over by the famous glazed statues of temple guardians and virtuous monks. Around the walls, a chronological display emphasises the immense antiquity of Chinese civilisation and the sophistication of its artifacts, but also points to the underlying philosophical and religious ideas. In an inspired stroke, we are given extracts from love poems and laws. In 1050 BC, a Zhou emperor is reminded that "being king, he must not use extermination as a punishment to control the people."

In the second half of the gallery the single greatest theme must, of course, be the exploration of Buddhism and Hinduism. A sense of order and intellectual rigour is abruptly displaced by the swaying forms of incredibly sensual beings, those "much maligned monsters" who so shocked and baffled Europeans in their early encounters with the temple art of Southern Asia.

And that leads to the extraordinary finale. Through glass doors, we glimpse great carved rosettes, the stylised lotus-flowers so ubiquitous in oriental art from India to China. These once stood as railings to a vast, now devastated Buddhist *stupa* (a monumental shrine housing relics of the Buddha) in Andrha Pradesh which was embellished with the most elaborate and accomplished sculpture of its age.

For the first time in 40 years, the sculptures of Amaravati can be seen. Pollution was eating into these extraordinary limestone carved slabs, 100 of them which were brought to this country in the last century. A gift from the Asahi Shimbun newspaper, already a generous benefactor to the BM, has paid for an air-conditioned room so that these massive reliefs could be raised from the basement – no small feat.

We now discover Indian sculpture from the 1st and 2nd centuries AD so powerfully inventive that these carvings must rank beside the Assyrian reliefs and even the Parthenon frieze, as one of the British Museum's greatest possessions. Of course, one visit will not be enough to work out what is going on in these scenes. Yet even one visit is enough to reveal the skill of these sculptors, above all, their ability to convey a narrative of the life of Buddha even in the most crowded scenes.

In languid courtly entertainments, large-breasted women strike postures which to this day are learnt by Indian classical dancers. What pleasure Ingres would have derived from the half-naked female musicians who, seated cross-legged with their lutes, are straight out of his harem fantasies. The opening of the Hotung gallery is an event truly worth trumpetting. Nothing less than a new vision of the arts of the Orient awaits the British Museum's admiring public.

Ballet/Clement Crisp

Phoenix Dance Company

I very much admire Phoenix Dance Company. The troupe emerged a decade ago from the inspiring dance teaching offered by two schools in Leeds, Harehills and Intake – have other educational authorities absorbed the message about serious training in an art as a way of realising youthful potential? – and its original complement of five young black men soon won public and critical acclaim. The company expanded, acquiring five women, official subvention, and the appurtenances of success. It retains, though, the freshness and vigour, and the physical distinction, which it had from the very first.

As an ensemble of dancers it must be ranked very high for the rhythmic alertness, the fine flash of step and limb, the clarity of its dancing. Though the repertory has, from the first, been uneven – and sometimes dire – Phoenix style has come to the rescue. Returned for a brief season to Sadler's Wells this week the company is in magnificent form, albeit its repertory has a somewhat reach-me-down air.

The best piece is Aletta Collins' *Gang of Five*, made for the men of the ensemble. The chaps look very natty in suits and the right trimmings for a business interview, even down to gold-rimmed spectacles. There seems a double theme: about conformity – the gang will not tolerate deviation from the sartorial code – and (with the appearance of a man dressed in rather more hip gear, with dreadlocks) about what young black men are expected to wear. I don't think either of these ideas matters much. What holds us enthralled is superb physical statement by the cast: hair-trigger reactions; lithe, brilliant steps; and a subtle expression of feeling. They are all fine actors as well as fine dancers.

The company's dramatic powers rescue an entirely vapid work, *Family* by Danial Shapiro and Joanie Smith, where the dancers perform acrobatics on, over, around an armchair. The playing is warm, funny, ebullient; the piece is none of these. Nor is there much to commend in Bebe Miller's *Spartan Reels* save the fact that its brings Phoenix dancers on stage. Its manner is bland, but Phoenix's artists pan for gold, and find some nuggets. I was bewitched by one girl in the troupe – the programme was absolutely no help in identifying the dancers – who just *had* to dance, and did so with the most enchanting humour.

The programme is completed by Philip Taylor's *Sacred Space*, which was on view in last year's Wells season, when it boasted a handsome back drop by Norman Perryman. It has an air of faintly dubious religiosity – a seance where the medium has been at rather different spirits than those coming through from "the beyond" – but it gets heart-whole performance from its cast.

The evening suggests how expert the company is at making dance bricks with very little creative straw. As an ensemble it is most gifted. Its repertory, as I noted last year, needs to rise to the level of the dancers' artistry. I would love to see them challenged by great choreography, by revivals of major dance pieces. They merit nothing less than the best.

Phoenix Dance is at Sadler's Wells until November 14. The company is sponsored by Yorkshire Television

Theatre/Alastair Macaulay

An Ideal Husband

There *is* not one cabinet minister's wife that should not rush along to see this play. It would be better yet if their husbands would accompany them – but are they men enough to take it? Oscar Wilde's 1895 treatment of political corruption and cover-up – as exposed and handled at home – returns to the London stage at so ripe a moment that its audience gasps at the nerves it touches. Not that *An Ideal Husband* is scathing. On the contrary, it is so morally pellucid, and so witty, generous and humane, that it might well reduce our political masters to embarrassed tears.

Sir Robert, the blackmailed hero of the piece, is, in fact, placed by Wilde under a light less searching than is his wife. Lady Chiltern is an idealist, who thinks her husband ideal, then rejects him bitterly when she finds he is not. A character closer to Ibsen than any of Shaw's heroines – close to Trollope, too – she has to learn to live in a world that is not ideal but real. It is Wilde's genius that he sets the problems of this basically serious, seldom humorous, couple amid all the glittering repartee and banter of high society. *An Ideal Husband* is a brilliant comedy, and it keeps revealing the deep seriousness on which high comedy is constructed.

Peter Hall's staging is excellent, alert to the full dimensions of the play, and and with unostentatious but elegant designs by Carl Toms. There are flaws, and no wonder: *An Ideal Husband* keeps up so perpetual a juggling-act between frivolity and profundity that even its smaller roles are exquisitely difficult to play.

Take Martin Shaw, who plays Lord Goring, the endlessly amusing aesthete who saves the Chilterns' marriage – surely the play's hardest role. He has the authority to convey the moral seriousness behind the dandy's façade. Yet he radiates not only self-satisfaction but also affectation. It is a pity that, in his effort to resemble Wilde himself, Shaw demonstrates a hitherto unsuspected likeness to Ken Dodd.

The great performance in this staging comes from David Yelland as Sir Robert, who shows all the role's ambition, gravitas, and torment to perfection. His wordless gasps are as memorable as his deep-baritone voice. There is a frigidity in his wife that Hannah Gordon misses. Her Lady Chiltern is handsome, rigorous, self-assured and surprisingly forceful. She is at her best in the final act, when her reconciliation with her husband is movingly and delicately negotiated.

Though Anna Carteret could be more dangerous and more natural as the anti-heroine Mrs Cheveley, she wields every scrap of sensual elegance in her armoury to fine effect. Dulcie Gray plays Lady Markby with hilarious brusqueness. Unfortunately, Michael Dennison – never a convincing actor – dreadfully overdoes Lord Caversham's bluff-but-charming-old-codger humourlessness.

Victoria Hasted brings off Lady Mabel, Sir Robert's sister, very well; but to play this role as a bespectacled, nasal, energetic hoyden is an amusing mistake. Wilde's stage directions compare her to both a flower and a Tanagra statuette. But nothing in this production, thanks to Peter Hall's grasp, diminishes the scope of this enthralling play.

The Globe Theatre

Alastair Muir

Anna Carteret: sensual elegance as Mrs Cheveley

Music/David Murray

Ivo Pogorelich

On Tuesday the Croatian pianist Ivo Pogorelich donated his services for a benefit recital "in aid of Historic Sites of Dubrovnik, under the auspices of the International Monuments Trust, Croatia Appeal, and supported by the International Council on Monuments and Sites UK". Gratifyingly, the Royal Festival Hall was packed out.

A brilliant but wilful artist, Pogorelich was on his best behaviour – granted that the first half of his announced programme was replaced by completely different music: one had been looking forward to his Skryabin op. 32. Best behaviour, however, is not the same thing as best form. Though I last heard him banging away unmercifully at Schumann in the Barbican, he has since then recorded Chopin's Preludes with astonishing imagination and extreme technical finesse. Here, his Chopin (replacing Skryabin, Mozart and Brahms) was immaculate in its way, but distinctly tame.

The opening of the big C minor Nocturne was superb and unexpected: a suspended hush, with beautifully liquid basses under a poignant singing line. For the "poco più lento" middle, Pogorelich chose to move much faster, and the grand reprise was decorative rather than cathartic. The late Nocturne in E was similarly gracious, content to display a fastidious surface, and much the same could be said of his B minor Sonata – plenty of genteel feeling, little dramatic stress or electricity, even in the harried Finale.

After the interval he addressed himself to Ravel's *Valses nobles et sentimentales*, with intriguing results. There was a plethora of swooning *rubati*, of spikey staccato when the music predicates the opposite, of shy counter-melodies so spotlit as to hide the main tunes. It was for just such idiosyncrasies that Ravel denied his old friend and champion Ricardo Viñes the premieres of everything he wrote for the piano after *Gaspard de la nuit*, from the *Valses* onward. Yet Pogorelich administered so much character of his own, consistent and vivid, that it would have been pedantic to repine.

He played Rakhmaninov's rhapsodic B-flat minor Sonata in the familiar, pointlessly truncated version. (Not by a long way the best of Rakhmaninov, the piece nonetheless deserves to keep its original proportions.) As sheer piano-playing it was constantly fascinating, but no larger vision imposed itself. So too with his encore, Balakirev's *Islamey*: it was sensationally swift, accurate and quite without physical thrills. At the inspired modulation at the start of the reprise, which is arguably the master-stroke of the piece, Pogorelich clattered heedlessly straight through.

'Tender is the North'

With royalty and prime ministers in attendance, and the trumpeters of the Welsh Guard sounding the opening fanfares, the Barbican festival devoted to the arts of the Nordic countries received on Tuesday its grand ceremonial launching. It continues until mid-December, and shows a boldness of imagination in the planning that makes event after event a mouthwatering enticement. The umbrella title – "Tender is the North", a Tennyson quotation that sounds like a play of words on Scott Fitzgerald – is a misjudgment, and its subtitular reference to Scandinavian arts has caused irritation to those countries (Finland, Iceland) not part of Scandinavia; but in general the series deserves to win the warmest of welcomes.

Whether the first two concerts, by the Oslo Philharmonic, offered the most substantial way of launching the series is an awkward question. The orchestra, under its conductor Mariss Jansons, has developed into an ensemble of first-rate quality: that much had become clear in its previous visits and was amply confirmed. But the programmes, whose high points were fresh, impassioned, alertly balanced and often thrilling performances of a Russian symphony (the Rakhmaninov Second, on Tuesday) and a Russian ballet score (*The Rite of Spring*, on Wednesday), can hardly be said to have made an unimpeachably powerful statement of the Nordic musical aesthetic.

The problem was, alas, the contemporary Norwegian works chosen – in principle, absolutely correctly – to fill out the programmes. Nothing is flatter, staler and less profitable than the modern-music fashions of yesterday; and both Arne Nordheim's *Tenebrae* (1982) for cello (the excellent young Norwegian Truls Mork) and Olav Anton Thommessen's 1986 Concerto for synthesiser and orchestra seemed on this evidence to contain no more than their debts to international musical fashion.

The cello essay, written for Rostropovich, meanders on in elegantly etiolated style, contemplating a handful of "frozen North" musical clichés a good deal more seriously, and lengthily, than one felt they deserved. The synthesiser concerto, for twiddly soloist and thump-thump accompaniment, merits a kindly veil of obscurity drawn over its state-of-the-art banalities; in comparison the Grieg piano concerto (with Leif Ove Andsnes its exquisitely poetic soloist), sounded positively Biblical in profundity. On now to the Nielsen and Sibelius cycles, the complete *Peer Gynt* and *Saul and David* in concert, and all the other genuine Nordic riches.

Max Loppert

Sponsored by Statoil, BP Exploration and Alliance Gas (Tuesday) and The Thomas Cook Group (Wednesday)

INTERNATIONAL ARTS GUIDE

Richard Strauss' opera Die Frau *ohne Schatten*, which opens at Covent Garden on Monday, is already being described as London's biggest art event this month: the set designs are by David Hockney. It is the first time Hockney has worked for the Royal Opera.

The designs were commissioned by the stage director John Cox, whose previous work with Hockney provided Glyndebourne with two of its most visually memorable productions of the past 20 years – The Rake's Progress and Die Zauberflöte.

In creating the prototypes for the full-scale sets, Hockney worked directly onto models in his Los Angeles studio: first a small 1:25 scale model on which to work out ideas, then a large model at 1:8 scale which incorporates a sophisticated lighting console and into which figurines are inserted.

Using a range of lighting possibilities and figure positions on stage, Hockney produced a video synchronised with a recording of the opera. Both the video and the model have been used in London to create the sets.

Die Frau ohne Schatten is a co-production with the Los Angeles Music Center, where it will be seen next September. The London performances (Nov 16, 20, 23, 25, 28) are conducted by Bernard Haitink, and the cast includes Gwyneth Jones, Anna Tomowa-Sintow, Jane Henschel, Paul Frey and Franz Grundheber.

EXHIBITIONS GUIDE

AMSTERDAM

Rijksmuseum Chiaroscuro Woodcuts: Hendrick Goltzius (1558-1617) and his time. An exhibition of colour woodcuts, highlighting a less well-known facet of the great Dutch draughtsman and engraver. Ends Jan 10. Closed Mon

BALTIMORE

Walters Art Gallery Ottocento: Romanticism and Revolution in 19th century Italian paintings. The first US survey of 19th century Italian art for 50 years, with more than 100 paintings by 70 artists, reflecting the tensions and conflicts that arose out of Italy's struggle for unification. At least 80 per cent of works in the show have not crossed the Atlantic before. Highlights among the Romantic paintings are Giacinto Gigante's Tempest in the Gulf of Amalfi, Giovanni Fattori's Garibaldi at Palermo and Gaetano Previati's Paolo and Francesca, with the Realists represented by Odoardo Borrani's The seamstresses of the red shirts, Giuseppe Pellizza da Volpedo's The procession and Boldini's James McNeill Whistler. Ends Jan 2. Closed Mon

BARCELONA

Museu Picasso Picasso: the Ludwig Collection. A set of 180 paintings, drawings, sculptures, ceramics and engravings belonging to Peter Ludwig, the German collector and researcher into Picasso's work. Ends Jan 31. Closed Mon (Carrer Montcada 15-19)

DETROIT

Institute of Arts Watson and the Shark: an exhibition based on the painting by colonial American artist John Singleton Copley (1738-1815) depicting the dramatic rescue of a 14-year old from the attack of a shark in Havana harbour. Preparatory sketches, two large versions of the painting and engravings by earlier artists are included. Ends Jan 3

DRESDEN

Zwinger French porcelain in Dresden. During a visit to Paris in 1809, August I of Saxony received as a gift from Napoleon a collection of French imperial porcelain, about 50 pieces of which have survived in reasonable condition. These include vases, portrait busts and a dinner service. Ends April 16. Closed Fri

Albertinum Jacques Callot: an exhibition marking the 400th anniversary of the birth of the etcher from Nancy. Ends Jan 10. Closed Mon

JERUSALEM

Israel Museum British Figurative Painting of the 20th century: 80 works, including many from private collections, ranging from Sickert to the work of young contemporary painters such as Tony Bevan and Celia Paul. The core of the exhibition consists of works by British artists who emerged in the 1940s and 50s, including Auerbach, Bacon, Freud and Kossoff. Also represented are Sutherland, Hockney, Stanley Spencer and Paula Rego. Ends next March

LEIPZIG

Museum der bildenden Künste Rolf Szymanski (b1928): sculptures and drawings by the Leipzig-born artist now based in Berlin. Ends Jan 17. Closed Mon

LONDON

National Gallery Edvard Munch: The Frieze of Life. Coinciding with the Barbican's Festival of Scandanavian Arts, this exhibition reassembles the sequence of works which the Norwegian painter created on the universal themes of love, anxiety and death. It comprises 85 paintings, including celebrated paintings of the 1890s such as Jealousy, Vampire and The Scream, plus related brothel paintings of the 1900s. Advance booking through First Call 071-497 9977. Ends Feb 7. Daily

Barbican Border Crossings: 14 Scandanavian Artists, including works by Munch, Strindberg, Carl Fredrik Hill, Asger Jorn (1914-1973), Per Kirkeby (b1938) and Finnish and Icelandic artists. Ends Feb 7. The Concourse Gallery displays the work of one of Norway's best known artists, Frans Widerberg (b1934), and of four Icelandic photographers. Ends Dec 15. Daily

Design Museum Allies in the same battle: Scandanavian design in Britain 1930-70. Furniture, textiles, lighting products, ceramics and glass tracing the influence of Scandanavian style on design and consumer taste in Britain since the 1930s. Also New Directions in Scandanavian Design. Ends Feb 28. Closed Mon

Bernard Jacobsen Gallery Stanley Spencer (1891-1959): The Nature of Heaven. A mixture of the familiar and unfamiliar drawn from the oeuvre of the Cookham visionary, including some of his underrated landscapes. Ends Dec 5. Closed Sun

Agnew's Barbizon et L'Ecole de la Nature: paintings and pastels by masters of the Barbizon school. Ends Dec 18. Daily

Courtauld Institute Mexican Prints of the 19th Century. Ends Dec 20. Daily

Tate Gallery Grand Manner Portraiture in Britain from Van Dyck to Augustus John. Ends Jan 10. Also The Painted Nude. Ends Dec 27. Also Turner's Use of Perspective. Ends Jan 31. Daily

MOSCOW

Kremlin Belfry The World of Fabergé: a collection of the famous Easter eggs, plus a wide selection of work by other Russian jewellers from the turn of the century. The exhibits are surrounded by period costumes and photographs, and the show is to last till January.

NEW YORK

Museum of Modern Art Matisse. Ends Jan 12. Closed Wed (Admission by timed-entry tickets: call Ticketmaster 212-307 4545)

Metropolitan Museum of Art Ribera. Ends Nov 29. Masterworks from Lille: 100 paintings and drawings from the Renaissance to the 19th century, including works by Rubens, Goya, Delacroix and others. Ends Jan 17. Closed Mon

Brooklyn Museum Max Weber: The Cubist Decade 1910-20. A travelling exhibition of 50 paintings and works on paper by Max Weber (1881-1961), one of the first American artists to explore Modernism. Ends Jan 10. Also Frederic Bazille (1841-1870): 60 paintings and drawings by a precursor of the Impressionists who died tragically young in the Franco-Prussian War. Ends Jan 24. The museum's collection of 58 Rodin sculptures has been reinstalled. Closed Mon and Tues

PARIS

Grand Palais Picasso et les Choses. Ends Dec 28. Closed Tues, late opening Wed (ave du General Eisenhower)

Musée d'Orsay Sisley. Ends Jan 31. Closed Mon, late opening Thurs (quai Anatole France)

Petit Palais French drawings of the 18th century, including works by Fragonnard, Watteau and Vien. Ends Feb 14. Closed Mon (ave Winston Churchill)

Louvre Pannini (1691-1765): painter of town perspectives and chronicler of ceremonial festivities. Ends Feb 15. Also Drawings by Liotard (1702-89). Ends Dec 14. Closed Tues (Pavillon de Flore)

Champs Elysées Fernando Botero: outdoor monumental sculptures, plus pastels, drawings, watercolours and small sculptures in Didier Imbert Gallery (19 ave Matignon, closed Sun and Mon). Ends Jan 30

WASHINGTON

Wetherholt Gallery Tony Lawrence: one-man show by the contemporary British artist. Ends Nov 30. Closed Mon (3050 K St, N.W.)

Corcoran Gallery A Century of American Prints and Drawings 1860-1960, drawn from the permanent collection. Ends Jan 31. Also Archibald Motley: paintings chronicling the life of African Americans in Chicago during the 1920s and 1930s. Ends Jan 3. Closed Mon

National Gallery of Art Ellsworth Kelly (b1923): 40 paintings dating from his early years in France. Ends Jan 24. Also Art of the American Indian Frontier: 150 objects produced by Woodland and Plains Indians in the 19th century. Ends Jan 24. Daily

FINANCIAL TIMES
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Friday November 13 1992

France dreams of Emu

BRUISED but not beaten, the French franc has survived the currency turbulence of recent weeks. Yet while French authorities' commitment to maintaining the franc's parity with the D-Mark may be strengthened, it is still far from secure. With luck and co-operation from its partners, France can avoid a devaluation and progress towards its favoured goal of a European monetary union. But getting from here to there will be a hazardous trip.

The franc looks to be out of the woods, at least for the moment. Having depreciated to a low of DM3.426 in the week after the French referendum, the recent weakness of the D-Mark has allowed the franc to climb back towards the centre of its band while the Bank of France has recovered the reserves it sold to defend the parity.

Yesterday's decision by the Bank of France to cut its intervention rates by a further quarter of a percentage point reflects this recovery. Short-term money market interest rates have already fallen by more than 5 percentage points since their September high, easing the pressure on the French banking sector. Long-term interest rates have also fallen sharply, reducing the yield difference with Germany back to the levels before the Danish referendum.

Yet the French economy still has the growth cards stacked against it. At 9.4 per cent, French short-term interest rates remain painfully high. Low French consumer price inflation means that in real terms these interest rates represent a vice-like grip for consumers and industrialists. Moreover, this fall in short-term interest rates – by more than a percentage point since the summer – masks the tightening in the overall monetary stance that has occurred as a result of the depreciation of the lira and sterling. The franc, despite the dollar's recent strength, has still appreciated on a trade weighted basis by 5 per cent since the first half of the year.

German interest rates still hold the key to French monetary policy. The likely tardy easing from the Bundesbank, in the face of persistent German government inertia, will hold French interest rates high, while deepening Germany's impending recession. The resulting slow growth, rising unemployment and political discontent in France remain the biggest threat to the *franc fort* policy. Consumer and business confidence have sunk over the summer as growth has dwindled. Finance minister Mr Michel Sapin remains emphatically committed to the policy. But as next spring's election looms, the pressure for lower French interest rates will grow.

Little wonder that Mr François Mitterrand is annoyed at Britain's go-slow policy on Maastricht. A shift to narrower currency bands within ERM might reduce French room for manoeuvre, as would confirmation of the independence of the Bank of France. But neither is likely to allow French interest rates to fall below Germany's. A single currency is the best answer to France's current monetary powerlessness. A northern currency area, including the Efta countries but without southern Europe, looks the likeliest route. Britain may well choose to exercise its opt-out on Emu. But first, the UK must opt in to Maastricht.

Trial in Berlin

THE FORMER state of East Germany was a sham. In 1990 this apparent bulwark of Euro-Stalinism collapsed, as its people discovered they could have democracy (and D-Marks) without Soviet intervention. Yet it was a sham in which West Germany, and the western community, acquiesced. Mr Erich Honecker, the former East German leader, believed that Germany would have to remain divided, at least for a couple of generations, in the interest of European and world security. This was not a particularly edifying view. But it was, in a curious sense, a comforting one – to many Germans, as well as to the world outside.

Mr Honecker, though rigid, was a man with whom one could do business. Chancellor Helmut Kohl demonstrated this when he welcomed the communist leader to Bonn in 1987. Transcripts released since show that, after lecturing Mr Honecker about the shooting of Germans killed attempting to flee westwards, Mr Kohl discussed with his guest improvements in tourism and town twinning.

Mr Honecker is now an 80-year-old pensioner dying of cancer. His trial, on charges of ordering the manslaughter of some of these unfortunate would-be escapees, started yesterday in Berlin. The proceedings serve several different purposes. As Germany struggles to heal the wounds of the past and meet the challenges of the future, it is necessary that desire for justice should not become entangled with a search for scapegoats and revenge.

The outcome of the trial will presumably not be influenced by political pressures. Yet the circumstances under which it is held can hardly be divorced from current politics. Following the conviction of guards found guilty of border killings, Mr Honecker is being brought to book partly to correct the popular conception that the "small fish" in the former hierarchy are being punished, while those giving the orders go free. His trial aims to show that the Germans can deal humanely and properly with a difficult legacy. It may, in a laudable way, throw fresh light on that history. But it may also give Mr Honecker the opportunity – the last he will get, before being summoned to a still worthier celestial tribunal – to deliver his own version of events. Mr Honecker's defence is not simply that he himself was carrying out orders (in this case, from Moscow). Rather it is that, by "defending" – albeit in an unpleasant way – the borders of the late German Democratic Republic, he was also defending a postwar order which most of the world found convenient, if not palatable.

To prove his guilt, the prosecutors will have to show that Mr Honecker specifically broke laws then on the East German statute book by infringing the wider judicial standards of a civilised society. It will be a demanding task. The intention is to apportion guilt and responsibility for the past. The danger is that, if too many uncomfortable questions are left hanging, the process could poison rather than cleanse the air over reunified Germany.

Overloaded Bank

WITHIN THE Group of Seven industrialised countries, the Bank of England is *sui generis*. Perhaps surprisingly, in the light of its historical role in the development of central banking practice, it enjoys less formal power and influence in the conduct of monetary policy than most of its peers. Yet its activities over the past decade have extended way beyond monetary policy and banking supervision to such diversions as coaxing the Stock Exchange into the modern world and helping rescue industrial companies from oblivion. Against the background of Britain's ignominious departure from the ERM and the Bingham report's criticisms on BCCI, the Bank's unusual combination of interests looks striking. Could Britain's postwar failures of monetary policy and banking supervision owe something to a conflict between these diverse roles?

The range of the Bank of England's activities lay outside Bingham's scope, which no doubt explains why there is no more than a passing reference to such conflicts in the report. Yet it is hard to believe that the culture of the institution could be unaffected by its top executives' preoccupation with the competitiveness of the City of London. Much of London's competitive edge in the European time zone derives from the Bank of England's open-door policy to foreign banks and, in earlier decades, its light regulatory touch. Yet BCCI cried out for just the opposite treatment. To expect central bankers to wear kid-gloves in one department, while turning abruptly adversarial in another, looks an admirable recipe for supervisory failure.

The question of whether monetary policy and banking supervision should be combined in the same institution is more difficult. Some central bankers argue that if they are required to act as lenders of last resort, they must be allowed to play a part in supervising the banks. Others claim that the lender of last resort function is incompatible with their anti-inflationary mandate. The noteworthy point is that the US Federal Reserve and the Bundesbank, which are not directly responsible for supervision, have much better records on inflation than central banks with a wider remit. All of which underlines the case for a far deeper review of the roles of the Treasury and the Bank.

An editorial comment on yesterday's Autumn Statement appears on page 9.

David Goodhart looks at the prospects for UK wages after the government's adoption of a more stringent approach

Public pay feels the squeeze

UK earnings are rising more slowly than at any time over the past 25 years; average settlements in the private sector are starting to fall to less than 4 per cent; and labour militancy is virtually non-existent. So it may seem odd that public attention is now focused on Britain's "pay problem".

But there are several grounds for concern, in both the public and private sectors. For a government determined to hold down public expenditure without hitting services or jobs too hard, the squeeze on the public sector's £80bn pay bill, announced yesterday, was probably unavoidable.

The decision to restrict all public sector pay awards to an upper limit of 1.5 per cent is not legally binding but the government can impose it directly on 3m of the 5m public sector workers and most of the rest are expected to follow suit.

There will, however, be serious reservations about brushing aside the labyrinth of systems for determining pay in the public sector, and fears that, after several years of peace, public sector pay tensions are being stored up for the future. As one local government negotiator said yesterday: "The problem is not going into squeezes; it's coming out of them."

It was precisely to avoid disruptive lags and surges in public sector pay that so many groups – including civil servants, nurses and teachers – were granted special pay-setting arrangements which connect their wage rises to pay trends in the private sector.

Some Whitehall officials are also worried that the government's interventionism may be undermining its own drive to introduce more decentralised, performance-related, methods of pay setting, similar to those used in the private sector.

It is not clear what will now happen to pay in National Health Service trust hospitals or opted-out schools, but it is almost certain that the performance-related pay schemes accepted reluctantly earlier this year by teachers and civil servants will become more difficult to apply.

Yet if the public sector squeeze does have the added effect, as the government hopes, of further restraining private sector pay awards, it will have achieved something important.

For, despite decentralised and performance-related pay, the private sector has not yet delivered the wages discipline that was hoped for by the government. Moreover, Britain's withdrawal from the European exchange rate mechanism on September 16 has raised fears of further backsliding.

In the short term, so long as economic recovery remains sluggish and inflation does not take off, that is unlikely. But it is vital that the fruits of the devaluation which has occurred since Black Wednesday should fall to profits, investment and thus job creation, and not to wage increases for those already in jobs.

Since the pay boom of the late 1980s, led by the better paid, wage rises have been falling. But it is difficult to identify how much of the credit lies with ERM membership and how much with recession.

Although, crucially, the effects of ERM membership on pay bargaining were never tested in an upturn, ERM supporters argue that, by locking in low inflation and preventing employers being bailed out by devaluation, the psychology of wage inflation was being broken.

But the Confederation of British Industry's excited claims over the last few months about breaking the "inflation-plus" mentality – in or out of the ERM – is premature. About three-quarters of all pay settlements in the three months to September provided for increases above inflation – currently 3.6 per cent.

The CBI's own figures for manufacturing wage increases show a rise of 4.2 per cent for the third quarter of 1992, virtually the same as for the last quarter of 1991. Productivity increased during that period by 2 per cent, but this was almost entirely owing to job cuts. Moreover, the average earnings figures for the whole economy, announced yesterday, showed a rise of 5.5 per cent over a 12-month period in which inflation has averaged just less than 4 per cent.

In recent years the lowest growth in real wages came in 1989 and 1990 when inflation took off, briefly, catching many pay bargainers by surprise. Conversely, the strongest real earnings growth came in the mid-1980s, when inflation was relatively low. Real earnings growth in the past year was lower than it was then, but is still nearly 50 per cent above inflation.

So, should there have been a squeeze or freeze on pay in both the public and private sectors, as suggested by local government employers and some speakers at this week's CBI conference?

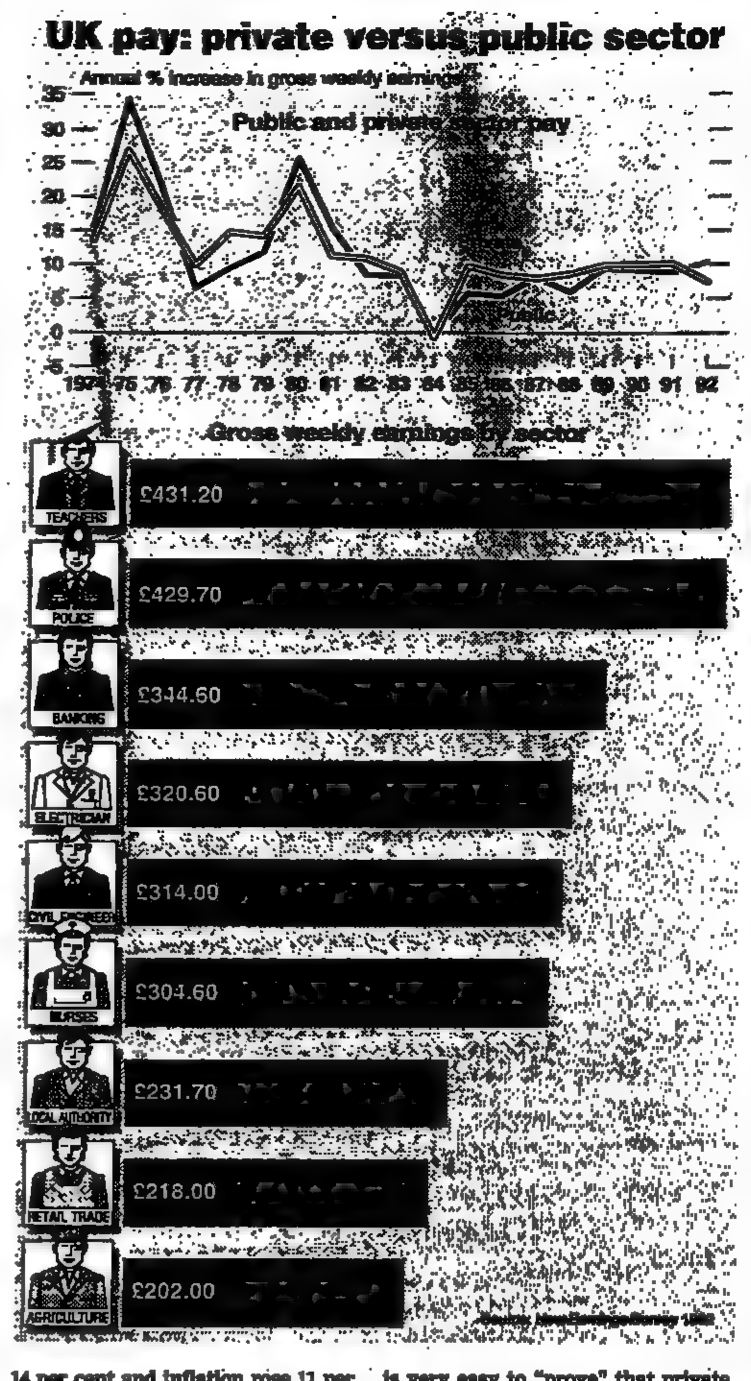
Mr David Layton, an expert on wage bargaining and founder of Incomes Data Services, the pay research group, suggests that, as it is easier to get agreement on the timing of pay increases than on their size, all employers should postpone pay increases by three months whenever they arise over the next year. This would have the effect of implementing a pay freeze for three months.

A government which has always set its face against repeating the incomes policy experiments of the 1970s was unlikely to find that an attractive option. In any case Britain no longer has the institutions to enforce such a solution, even for the sake of investment-led growth and job creation.

Coming a week after the 20th anniversary of Sir Edward Heath's failed freeze on pay and prices, yesterday's overt pay squeeze in the public sector is clearly embarrassing enough for the government.

Apart from its clear need to control public sector spending, it justifies its targeting of the public sector by arguing that job security, despite recent shake-ups, is still far greater than in the private sector. More important, public sector pay has recently been increasing at a much faster rate than in the private sector.

Between April 1990 and April 1992, public sector pay rose 21 per cent, while private sector pay rose 14 per cent and inflation rose 11 per cent.



But comparing public and private sector pay is a complex matter. As Mr Bill Brett, general secretary of IPMS, the civil service union, says: "Public sector pay follows a similar cycle to that of the private sector but with a lag. By suppressing the second part of the pay cycle where public sector workers catch up, the government will create disparities in pay which will require resolution at a later date."

According to Mr Chris Trinder, of the Public Finance Foundation, pay rises in the public and private sector have roughly matched each other over the past 20 years. But he points out that within that span it is very easy to "prove" that private has outstripped public, or vice-versa, by careful selection of the year taken as the starting point.

Comparing actual pay, as opposed to pay rises, in the public and private sectors is even more messy. According to official statistics average pay in the public sector is again higher than that in the private sector, as it was, surprisingly, every year from 1973 to 1986.

Pay analysts are quick to argue that adjusting for the structure of employment – which means allowing for the fact that there are proportionately more white-collar workers in the public sector – the private sector does better, at least for men.

Average gross weekly pay for male manual workers in the public sector in 1991-92 was £258.70 compared with £270.50 in the private sector. For male white-collar workers the gap is slightly greater, £388.10 in the public sector and £405.40 in the private sector.

On the other hand women workers and the low paid generally do better in the public sector, especially now that some of the lowest-paying jobs have been contracted out, and particular groups like nurses have shot up the pay league.

Whatever the overall justice of temporarily suppressing public sector pay, the way the government proposes to do it is bound to be seen as unfair by those in the public sector who have been doing less well. In the current year, for example, local government manual workers received a rise of 4.1 per cent compared with 9.5 per cent for teachers.

The local government employers, worried that a two-tier public service pay league has emerged, with their own manual workers at the bottom, will at least be relieved that the government is excluding no special groups, like firemen and policeman, from the squeeze.

When the squeeze begins in earnest next April, with the next public sector pay round, local authorities are likely to follow the government's guidelines and cut pay rises rather than services and jobs.

The greatest protests yesterday came from the *de facto* suspension of the pay review bodies, especially that for the nurses, and the special pay formula for firemen. But despite public sympathy towards nurses, it is unlikely that the trade union movement will be able to put itself at the head of another spasm of protest, similar to that over pit closures. As one senior union official admitted yesterday: "With anxiety over job security as bad as it is I doubt we will see much protest."

The government also emphasises with some justice, that restraint on pay feeds directly into preserving or creating jobs, especially in local government and the NHS. However, the IPMS argues that a shift to capital spending, which is less labour intensive than current spending, could have a negative effect on total employment. Assuming a saving of £1.8bn on the public sector pay bill, it estimates that more than 200,000 jobs could be threatened.

Pay freezes in the private sector have never covered more than about 10 per cent of settlements but a few high-profile freezes now would certainly help the government's cause – and they may be coming. Workers at Rover and many GEC plants have accepted freezes with little complaint, and at Rolls-Royce the unions agreed to extend a freeze from six to nine months in exchange for no redundancies.

The Trades Union Congress is unlikely to make a similar offer at national level, partly because it is formally committed to free collective bargaining but also because it does not trust the government to deliver its side of a bargain on jobs or helping the low paid.

Yet no formal pay squeeze has ever worked without union support, and the TUC will certainly be doing its best to make sure that public service workers claw back as much as they can in 1994-95. That pent-up wage pressure could coincide with a strongly recovering economy and rising inflation to produce a dangerous cocktail by that time.

PERSONAL VIEW

An American parallel

By Ray Calamaro

"It's remarkably brief and simple," a senior European Community official told me. He was talking about the 10th amendment to the US constitution, one of the reference sources consulted by the European Commission as it tries to frame a workable doctrine of subsidiarity. "Perhaps," mused the official, "life was simpler then too." Perhaps, but no one should think that the US had an easier time agreeing its constitution than Europe seems to be having with the Maastricht treaty.

The similarities between 1992 and 1789 are striking: individual states are loosely bound together but recognise they must forge a stronger union, especially for commerce and security; representatives of the 12 states (Rhode Island did not send a delegate to Philadelphia in 1787) meet and sign a historic document which, if ratified, will create a new union; under that union each state remains sovereign except for those specific powers given to the union, and in those instances the union's authority is supreme; the new document requires ratification by the states; a raging debate ensues where a central issue, sometimes clearly stated but as often not, is local control versus central authority.

The American experience seems to be relevant in many ways. We too found the process of creating a union difficult and painful. The Constitutional Convention worked from February to May 1789 to produce a document that was argued over and modified during that hot summer. In September the constitution was sent to the 13 states, only nine of which were required to ratify. Eight months and three weeks passed before the ninth state, New Hampshire, ratified, and eventually the other four came along as well. The smallest, Rhode Island, displaying the spirit of today's Denmark, was last to approve.

During those tense months, the outcome was far from certain. And even then, 10 new amendments to the constitution – known collectively as the Bill of Rights and intended to clarify and establish the right of individuals *vis-à-vis* the state – were adopted two years later. A charter with 10 new amendments may seem soft concrete for a foundation, but there have only been 16 more amendments during the two centuries that followed.

Like the EC in 1992, the US in 1789 was divided into large, powerful states and smaller ones which feared being dominated. In 1789 it was four large and nine small; in 1992 it is five large and seven small. The US constitution is filled with devices sought by the smaller states to provide protection from the power of larger ones. Likewise, the question of big-versus-small states has arisen at important moments during the debate on Maastricht. The young US faced immediate growth, as the EC does now. Vermont was the first of the 37 new states to join after the original 13. The EC has applications for membership from Finland, Sweden, Austria and others, and it may quickly grow from 12 to 16, with more later.

The most important parallel with today's Europe is that Americans who favoured union had some very powerful opponents within the 13 states. Alexander Hamilton knew that if he lost one of the big four, the constitution could fail to serve its purpose of unifying the young nation. New York (with the then capital of the US, New York City) was uncertain at best. The governor of New York, whose name happened to be Clinton, was a powerful and wily opponent.

As an American who imported his US-made car to Brussels, eats his salad first and prefers dry martinis to dry Sancerre, I have been accused of excessive patriotism. But though I am as proud as a Little League father of my country's birth in 1776 under the Articles of Confederation and "rebirth" in 1789 under our constitution, I must admit that what Europe is now doing is perhaps, given the centuries of history with which Europe must contend, even more impressive.

There are many other comparisons that might be drawn, and history can be retold to prove almost anything. The point, however, is that the hardest work is not in drafting a constitution but in getting it approved. No American knew if the constitution would be ratified, and many doubted it. Indeed, one retrospective measure of greatness among our founding fathers is the skill they showed in arguing for ratification and winning over those who threatened to oppose.

This is why the great American historian Clinton Rossiter called the Federalist Papers – a series of essays published in 1787 and 1788 by Alexander Hamilton, James Madison and John Jay, which forcefully advocated the case for ratification and drove much of the debate – "the most important work in political science that has ever been written, or is likely ever to be written, in the US".

History suggests the game in Europe, far from being over, may just have begun. Those who ask where are the heroes who will unify Europe should wait a while; their question may soon be answered.

The author was US deputy assistant attorney-general for legislative affairs, 1977-79

Bitter enemies become grudging partners

Despite continuing animosity between China and Taiwan, bilateral economic ties have grown rapidly, says **Angus Foster**

Eight years ago, when political tensions were high and China's economic reforms scarcely under way, the special economic zone of Xiamen booked 10 telephone calls a month to Taiwan, 200km away. Today, calls are averaging 60,000 a month and rising.

In 1987, when Taiwan lifted martial law and eased some restrictions on dealings with China, fewer than 7,000 Taiwanese visited the mainland. Bilateral trade, which can legally be conducted only through third countries, was about US$1.5bn (£877m). This year, with rules on investment in China slowly being relaxed, more than 1m Taiwanese are expected to visit. Bilateral trade through Hong Kong alone is likely to exceed $6bn, while the total, including smuggling, will be closer to $10bn.

Taiwanese light industrial and processing companies, faced with rising wages and costs at home, have probably invested more than $3bn in China in the last five years. About a third has gone into the city of Xiamen and Fujian province and about the same is invested in Guangdong and Shenzhen, China's most advanced special economic zone, across Kowloon Bay from Hong Kong.

This explosion of economic activity has helped lift average wages in Xiamen 10 per cent per year since 1987. Taiwanese electronics, toy and garment factories are springing up in and around Xiamen and along the Fujian coast. In some areas, more than a quarter of workers are employed by Taiwan companies.

Xiamen now resembles Shenzhen five years ago. Similar problems, such as gambling, prostitution and corruption, are also emerging. But most Xiamen residents seem to welcome home their Taiwanese *tongbao*, or compatriots, who share language and often kinship ties.

Each morning Chinese peasants, often brought to Xiamen from poorer inland provinces, file through the gates of the Xinglin Taiwanese investors zone. Takamisawa Electric (Taiwan), which started trial production of magnetic components earlier this year, employs about 70 young Chinese women on a production line with machinery mostly imported from Japan.

Mr Lay Chuanlin, who moved to Xiamen from Taiwan to manage the factory, says labour costs are about a tenth of those in Taiwan and productivity is surprisingly high. By next year the company intends to add another three production lines and employ 1,000 workers.

Although Taiwan's growing involvement in Fujian mirrors Hong Kong's development of Guangdong since the early 1980s, Taiwanese companies face different problems. China still regards Taiwan as a renegade province. It refuses to recognise Taiwan's government and has not renounced its threat to use military force to reunify Taiwan, especially if the island declares independence.

These political concerns pose a host of problems and suggest moves towards closer economic integration will be erratic at best. For example, neither side recognises the other's legal system so no investment protection guarantees are in place. Bans on direct shipping and air links and restrictions on direct investment and banking also add to businesses' costs.

These are acceptable risks for low-cost manufacturers, who may face going out of business if they stay in Taiwan. Their average investment is less than $10m and some are also speculating on rising land prices. Machinery, which has sometimes already been fully depreciated, can be moved to China, where low wage and land costs allow healthy margins even after the extra costs of political restrictions.

But for capital intensive industries the risks of investing in China are significant. Investment guarantees can be secured via overseas subsidiaries, but companies face legal and political problems. While Hong Kong companies rush to build power stations and roads in Guangdong, Taiwanese investors have so far shunned long-term infrastructure projects. Some heavy industries such as petrochemicals will invest if offered sufficient incentives by China, but progress is likely to be slow.

Political concerns suggest moves towards closer economic integration will be erratic at best

China's renewed commitment to coastal economic reform this year means it has become even keener on attracting Taiwanese investment to provide jobs and technology. Defence experts in Hong Kong and Taiwan suspect China's policy of attacking the US while largely ignoring Taiwan over the recent F-16 fighter jet sale shows Beijing does not want to risk upseting Taiwanese investors at this stage.

But growing Chinese links are worrying Taiwan's government. With 7 per cent of the island's exports now officially destined for the mainland, the government fears China is gaining a significant indirect influence over its economy. Changes in China's economic policies, and its trade disputes with the US, will now affect Taiwan for the first time.

Taiwan's ruling Kuomintang party has tried to stop large-scale investments in China by reviewing them on a case by case basis. Defence industries will not be allowed to leave, and strategic industries such as petrochemicals and cement are being encouraged to invest in special preferential zones in Taiwan. "Whatever our businessmen do on the mainland, their roots should remain in Taiwan," said Kuomintang spokesman Mr James Chu.

So far the government has had mixed success. It claims it persuaded Formosa Plastics, Taiwan's largest private company, to cancel plans to invest in Xiamen. In fact Formosa probably delayed because China had not agreed to its conditions. Other large companies, such as food manufacturer President, are investing throughout China, and government officials admit privately they cannot stop businessmen for long. "Taiwan is meant to be a free country," one said.

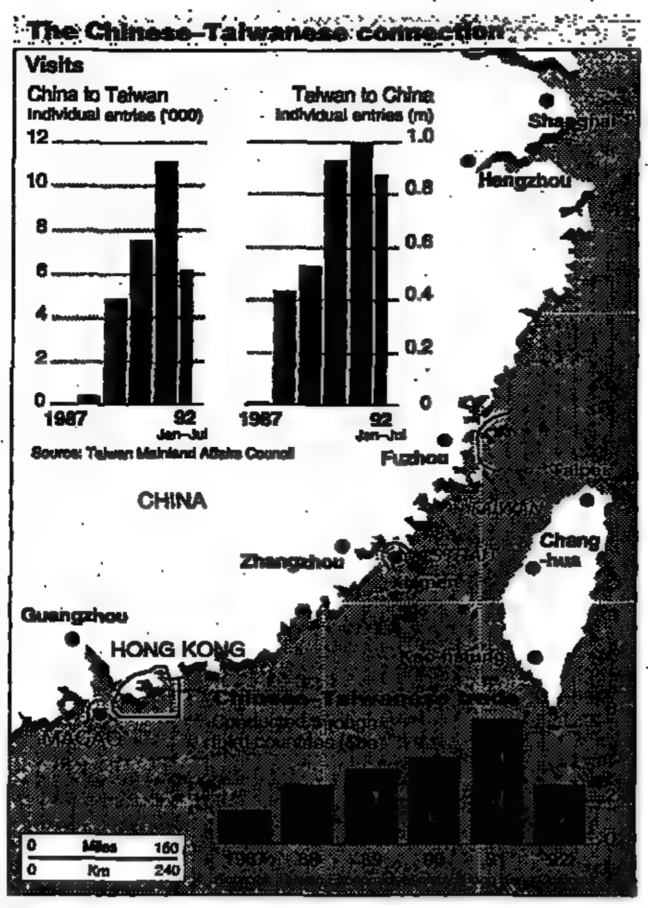
The Taiwanese government therefore seems to have decided its ban on direct shipping, air and postal links is its best chance of limiting investment. China wants the ban lifted to increase investment and push reunification one step closer. But Taiwan wants to keep maintain the ban, which is perhaps its only hope of squeezing concessions from China in the future.

Meanwhile, China seems unwilling to play its own trump card – removing the threat of force. Mr Chen Kongli, director of Taiwan research at Xiamen University, said Taiwan had to make concessions before the threat would be lifted. "China's government also sees the threat as a way to suppress Taiwan's independence movement," he said.

Taiwan's Straits Exchange Foundation, set up to discuss issues such as document verification and trade disputes with the Chinese, complains that each time progress on improving the relationship between the two sides has been close, China has raised unacceptable demands on sovereignty by claiming there is only one China, thereby negating Taiwan's existence.

The problem became urgent earlier this year when three Taiwanese managers were arrested by Chinese police following a fight at their factory. They were later released without charge. "Legal protection of Taiwanese people and property remains very tenuous," said Mr Chen Rong-jye, secretary-general of the SEF.

The Chinese–Taiwanese connection



LETTERS TO THE EDITOR

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Property right for pensions

From Mr Patrick J Bushnell.

Sir, Lex ("Dividend deficit", November 9) may have missed a point when it suggested that in a weak dividend environment mature pension funds might switch from equities to bonds. In recent years property has been either overlooked or treated with suspicion by the pension fund industry.

Current property yields are at an all-time high, at 9.9 per cent as measured by Investment Property Databank. Property now offers higher income returns than long-dated gilts (8.7 per cent), UK base rates (8 per cent) and very substantially higher-than-average dividend yield (4.6 per cent).

There are, of course, the justifiable arguments of oversupply in some instances and that much of the property market is overrented – that is, let on rents that are higher than current rental value – and that values are still falling. This may well be true in some parts of the market, most notably London offices. However, there are significant proportions of the property market away from London where property is not substantially overlet and still offers strong income returns.

In due course there will be prospects for rental and capital growth re-emerging as the economy recovers to add to the attractions of this market.

Patrick J Bushnell,
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London EC4

Investment in equity at heart of industrial regeneration

From Mr Geoffrey Maddrell.

Sir, We read with interest your brief report ("Call to double share sales duty", November 10) that the National Association of Estate Agents is recommending the doubling of stamp duty on the transfer of shares on the basis that "share ownership is a luxury, not a necessity".

It seems that the association has totally failed to understand the fundamental issue facing Britain and the economy, namely industrial regeneration through investment in productive industry to lead the way out of recession and to ensure we have companies able to compete effectively with the best in world markets.

Such investment has to be funded; we have learned from hard experience of the dangers of relying totally on bank debt.

Accordingly, what the National Association of Estate Agents fails to understand is that investment in equity, and thereby share ownership, lies at the heart of out industrial regeneration.

Geoffrey Maddrell,
chief executive,
Proshare,
Library Chambers,
13-14 Basinghall Street,
London EC2V 5BQ

In the US, real Republicans prefer to drink red wine

From Mr Doug Henwood.

Sir, In one of your articles on this stupid US-EC trade war ("Wine importers see risk of going into the red", November 7), your correspondents Alan Friedman and Louise Kehoe declare that "US white wine is a more palatable alternative to European whites than is US red wine". If this represents official Bush administration reasoning, then it's yet another reason to cheer its forced retirement come January. If it represents your correspondents' opinion, then I can only assume that deadline pressures prevented them from researching the matter adequately. The pain of living in a weak-currency country would be even more intense than it is already if the US didn't produce excellent red wines.

My own guess is that the Bushites consider white wine ideologically suspect, the preferred beverage of intellectuals, aesthetes, vegetarians, women and liberal democrats. By contrast, real Republicans drink manly reds with their blood-rare steaks.

Doug Henwood,
editor,
Left Business Observer,
250 West 85 Street,
New York,
NY 10024

A medium-sized answer to costly legal fees

From Mr J Goulding.

Sir, There was a phrase concerning the computer industry to the effect that nobody had ever lost their job by buying IBM. I was reminded of it when reading your article concerning London lawyers' fees ("Business and the Law", November 10). I think it is accepted that for many years lawyers in the big City firms have enjoyed substantial incomes and charged large fees. The fault does not lie with the lawyers but with clients who have used their services, whether or not they were the right legal animal for that particular company or task.

As a partner in a medium-sized commercial practice, I am delighted to say that our experience is that more and more businesses are appreciating that a good quality legal service can be provided without going to a big City firm. While there is no doubt that some legal tasks should be done by such organisations, it is also clear that there is a whole range of legal problems and needs which can be served both more efficiently and cheaply by other legal practises.

Those that are currently moaning as to the cost of lawyers in the big City practices should consider whether it is in the interest of themselves and their shareholders to use the range of legal services open to them and vote with their feet.

J Goulding,
Tuck & Mann,
16 Quarry Street,
Guildford,
Surrey GU1 3UY

Proclaiming devotion, but not bothering to read

From Mr Edward Crawford.

Sir, The apparent approval of the government for the construction of the Jubilee Line extension reminded me of Adam Smith's wise words: "The proud minister of an ostentatious court may frequently take pleasure in executing a work of splendour and magnificence such as a great highway... But to execute a great number of little works [that] have little to recommend them but their extreme utility, is a business which appears too mean and paltry to merit the attention of so great a magistrate. Such works are almost always entirely neglected." (*An Enquiry into the Nature and Causes of the Wealth of Nations*, Book V Chapter I, Everyman edition p217).

Meanwhile the excellent comprehensive school (listed by you last week) where my wife works is falling down and in urgent need of rebuilding while the wretched Conservative council is at its wits' end for money.

It seems such a pity that, as with the poll tax fiasco, those shallow politicians who proclaim their devotion to the master do not actually bother to read his works.

Edward Crawford,
2 Burnham Way,
Ealing,
London W13 9YD

Sign of moral bankruptcy

From Mr Bernard A Webb.

Sir, E N Addison's summary (Letters, November 12) – "put your country first and forget your high principles" – of your November 10 leader ("The Matrix case") undoubtedly states the moral bankruptcy of a generation of trade-at-any-price conservative politicians, of whom Alan Clark, former trade minister, is only one unusually honest example.

Mr Addison is clearly a member of the club: "... things have come out which would have been better left unsaid." Would he make the same assertion to the Matrix Churchill defendants?

Bernard A Webb,
Reichensteinerstrasse 42/4,
4053 Basel,
Switzerland

Hard to get a decision out of anyone

From Mr Richard R Dolphin.

Sir, I run my own business. If a decision is required, I have to make it. Unless the matter is problematical, I make it there and then.

I have come to the conclusion that British business employs people who, however estimable their business administration degrees and all the rest, lack any ability to make decisions at all.

● We have a new hypermarket which just been opened here by one of our premier companies. Three weeks ago I called and asked if it could let me have some empty boxes. The perfectly polite middle management member to whom I spoke was quite unable to make a decision.

In the end I wrote to the company chairman – a decision was made.

● A few days ago I called a big international brewer in the Midlands and asked a question. The person to whom I spoke was quite unable to decide to whom I should address it.

● Shortly after, I called at the Courage Berkshire Brewery and asked if it could supply me with something I wanted for a charitable purpose. The person to whom I spoke (who displayed an interest in the matter which could not have been measured on any known scale) was quite unable to make a decision and made the absurd suggestion that I wrote to him about it.

As William Brown said, "strordinary."

So, I decided to write to you about the apparent inability of British business people to make decisions about anything. They should be taught how to do so.

Richard R Dolphin,
Foxhunters,
West Hatch,
Taunton, Somerset TA3 5RJ

OBSERVER

Nuclear affront

■ A particularly dirty little fight is going on in one corner of the great battle to save the UK coal industry. The combatants are Nuclear Electric, the state-owned utility which operates 12 nuclear stations in England and Wales, and PowerGen, one of the two big privatised generation companies.

It started when Ed Wallis, PowerGen's hard-knuckle chief executive, suggested that the best way to boost demand for coal-fired power was by shutting down NE's ageing Magnox reactors.

Outraged noises emanated from NE's headquarters in Gloucester as Bob Hawley, the newly appointed chief executive, roared into action. He fired off a letter to Wallis, pointing out that he had got all his sums wrong. "We believe this is a time for a balanced and statesmanlike approach, not for mischievous proposals and statements without a basis in fact," he boomed.

But there was nothing very statesmanlike about NE's subsequent tactics. Discreet notes were circulated to the press pointing out that PowerGen was importing coal, burning the "dirty fuel" orimulsion, and had been censured by the electricity regulator for "abusing" its dominant market position.

NE even dug up a 1979 note in which Wallis, then manager of Oldbury nuclear power station, "emphasised the future benefits of nuclear power and also the possible consequences (eg the cost of alternatives) if nuclear power were not developed in future years".

Roughing up

■ Which is worse, being mugged on Rio's Copacabana beach or sailing the next 8,800 mile leg of the British Steel round-the-world yacht race?

At least Adrian Donovan, the 34-year-old skipper of Heath Insured, has had first-hand experience of the first. Four local lads carrying knives attempted to relieve the gentle giant of the sea of his wallet while he was out training the other day. Fortunately the six foot three Donovan, who shouts like Hornblower, did not have to make a claim on his C E Heath insurance policy and the muggers came off worse.

Let's hope that Donovan and his crew, who are definitely first division racing material, fare as well over the next couple of months on the Hobart leg of the race. The FT's top yachtie, for one, is glad that he doesn't have to sail it.

Set point

■ A German diplomat describes how, in a conversation with one of his French opposite numbers, he recently queried France's tactics over the Gatt negotiations – where Gallic intransigence has been stiffened by the Socialist government's worries about the March general elections.

"Why are you so worried about the elections?" the German asked. "You've lost them anyway." To which came the reply, with appropriate hauteur: "France never loses elections."

Mountain time

■ The final hours of poor old Dan-Air were not as trouble free as first thought. Observer hears that it was touch and go right up to the end whether Dan Dare, as it was affectionately known, would arrive safely inside the British Airways corporate hangar.

Admittedly, it would have been out of character if there had not been some last-minute delays. The deal was supposed to have been signed off on Friday November 6. By 3.30 the next morning, the signs on the Gatwick check-in desks were being changed from Dan-Air to British Airways. However, the deal had still not been signed and the nervous lawyers ordered the Dan-Air staff to put back their signs and return to work.

It turned out that the last piece in the deal's jigsaw lay in the hands of a Californian bank, which had to agree to the transfer of an aircraft lease. Trouble was, the bank's executives were communing with nature and each other, but not the outside world, in tents in the Sierra Nevada mountains. A fax machine was back-packed into the wilderness and the deal was concluded at 12.21 pm on Sunday.

"I only joined the Church to meet girls"

Under dogs

■ The South African Parliamentary XV versus a combined House of Lords and Commons XV – kick-off 10.30 at Richmond College – should be an entertaining curtain-raiser before tomorrow's Anglo-Boer clash at Twickenham.

Of course, there won't be any blacks in the South African squad – they still aren't represented in parliament – but it is otherwise a commendably catholic affair. Even the ANC, through Rob Haswell, MP for Pietermaritzburg South, is represented. Nic Koornhoff, MP for Swellendam, says the spirit in the team is good – better than in parliament.

"The only area in which we might have a few problems is on the right wing. There were no volunteers from the Conservative Party," quips Koornhoff.

As with the Twickenham battle, the South Africans face an uphill struggle. Their best hope would seem to lie in spiriting coach Theuns Stofberg, a formidable Springbok loose forward of recent years, onto the pitch.

Moving target

■ Thriller writer Ken Follett is a master of surprise. He may be a staunch supporter of Britain's Labour party, but he was also a big fan of maverick Texan Ross Perot's presidential ambitions.

It has to be remembered that Follett wrote On the Wings of Eagles, the true story of how two employees of Perot were rescued from Iran during the 1979 revolution. During the campaign Perot was handing the book out like a calling card.

Follett was also in the vanguard of the opposition to Rupert Murdoch's takeover of his publisher Collins. But now he has changed his tune and signed up to make a multi-million mini-series, Spread Eagle, for Sky Television which is half-owned by his old enemy Rupert Murdoch.

"If you can't beat them, join them," trilled Follett, adding that, "Murdoch doesn't own a majority of Sky. That's important."

Competition

■ Why does Washington have the most lawyers, and New Jersey have the most toxic waste dumps?

New Jersey had first choice.

FINANCIAL TIMES
Friday November 13 1992

Leading industrialist says he supports moves towards a market economy

Industry backs Russian reforms

By John Lloyd in Moscow

THE leader of Russia's industrialists yesterday angrily hit out at critics who had accused him and his members of threatening economic reform.

"Unlike some people in the government, the Russian Union of Industrialists is doing its best to create the infrastructure for a market economy," Mr Arkady Volsky told a Financial Times conference in Moscow.

Mr Volsky, president of the Russian Union of Industrialists and Entrepreneurs, said his members, drawn from both the state and the fledgling private sector, were neither "fat cats" nor "enemies of reform".

He was responding to charges made the previous day by Prof Anders Aslund, a senior adviser to the Russian government, that Mr Volsky and the Civic Union, a centrist political group of which he was a founding member, were the "most serious threat" to Russian economic reform.

Later, talking to Russian deputies in the parliament, Mr Volsky said that in recent meetings with Mr Yegor Gaidar, the acting prime minister, the two men had substantially agreed on a number of basic economic issues.

But Mr Gaidar, also addressing the deputies, said the government would not return to "the nostalgic central direction of the economy" which Civic Union proposed in its recently completed programme.

Civic Union will put its programme, which it is pressing President Boris Yeltsin to use as the basis for policies in a revamped cabinet, to a congress of industrialists to be held tomorrow in Moscow.

The congress, at which Mr Yeltsin has been invited to speak, will be a sounding board both for opposition to the government and, the government hopes, for industrialists who support the policies of economic liberalism and privatisation.

Mr Volsky's outburst at the FT conference, entitled Doing Business in Russia, was designed to prove to the audience of business people that he was no friend to the old centrally planned economy, favouring instead a coherent and planned transition to a market economy.

He said he backed bankruptcies, privatisations, strict control of credit and individual initiative.

Later speakers, however, emphasised the need for tight control of the money supply and faster liberalisation of a still state-controlled economy.

Mr William Crowley, leader of the team from Goldman Sachs, the US investment bank which is advising the Russian government, said western investment in large industrial companies would be slow and limited for the foreseeable future. But he expected a lot of interest in the energy field and in the creation of plants manufacturing food and other consumer products.

THE LEX COLUMN

Autumn chill

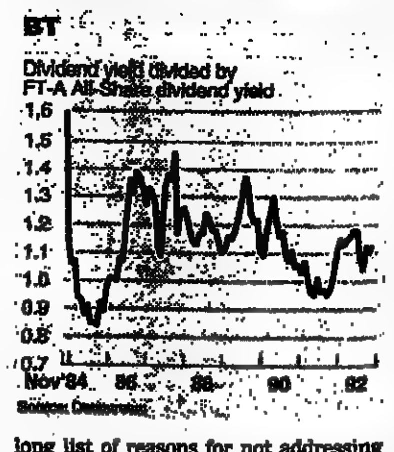
So much for the government's growth rhetoric. The demise of the car tax, and increased capital allowances sounded flashy but it is not as if £400 off a Ford Escort will cause a stampede in the showroom. Capital allowances are not much use unless companies have the cash to invest and profits against which to claim relief. The chancellor's recovery package yesterday involved extra borrowing of only about 0.6 per cent of GDP over the next three years. At least he was refreshingly candid about what it will achieve. Growth will be no more than 1 per cent next year.

What financial markets have been seeking since Black Wednesday is a purposeful and predictable strategy with a sensible mix between fiscal and monetary policy. Instead, what they got yesterday still looks like a muddled and piecemeal attempt to please everyone. Mr Lamont is at pains to appear cautious on the fiscal front, but just in case that does not convince, he is full of rectitude on the monetary front too – at least by the standards of those who were looking for a 2 point cut in base rates.

Perhaps the truth is that the government is still boxed in. On the fiscal side it is hobbled by the sheer size of social security payments and, now additionally, debt interest. Even so the background does not leave much room for growth. The underlying inflation rate next year will still be 3.75 per cent. And the current account deficit will rise to £15.5bn from £12bn.

The stock market may have been rash to flirt with record levels yesterday. The gilt market will have to contend with a PSBR of at least £44bn next year – more if the attempt at pay restraint fails. The chances are that a weak government will face some ugly confrontations in the labour market. Hardly what the prospective buyer of gilts on Zurich's Bahnhofstrasse likes to see.

FT-SE Index: 2726.4 (+29.6)



BT

BT ought to be moderately satisfied with second quarter profits of £431m. They were at the top end of expectations even after a £386m redundancy charge. Better still, there was a faint hint of volume recovery which appears to be continuing. Add that to an 8 per cent interim dividend increase, and a 4 per cent jump in its shares looks a natural response.

The longer term, though, offers less ground for excitement. Yesterday also saw the management trotting out a long list of reasons for not addressing the strategic questions raised by its looming cash surplus and setbacks overseas. Not only is there regulatory uncertainty; BT also faces some large calls on its cash. Changes to the VAT rules mean a £900m tax payment in the second half. Pension fund contributions may have to resume at a rate of £200m next year.

It is much too early for management to take seriously the more extreme City suggestions like a mega-dividend or share buy-back scheme. For the time being the prospect of generous real dividend growth ought to underpin the shares. This attraction is offset by worry that BT's fascination with North America will prompt a third unlucky attempt to strike it rich there. Besides, a 10 per cent yield premium to the market is on the low side for BT. And if its business really is reviving, so is the economy as a whole. Defensive stocks like BT would find it hard to outperform in a recovery.

Boots

The market has a habit of treating Boots uncharitably. Yesterday's 2 per cent fall in the shares in response to a 15 per cent rise in interim profits was less dramatic than what followed the full year results in June. But Boots could be forgiven for feeling hard done by, given its progress in tackling some of the poorer performing parts of the retail empire.

Halfords' return to profit against the background of a depressed car market is particularly encouraging. Yet without a recovery in the housing market, Boots will need all its retail skills to stem the losses at Do It All which is fighting from a weak third place in a market shredded by discounting. Even on the assumption that conditions get no worse, Boots will do well to break even this year on non-chemist retail sales approaching £1bn. On the upside, though, this implies plenty of scope for recovery when conditions in the high street improve.

Boots continues to defy gravity by squeezing higher margins from the chemists' business. Pharmaceuticals should return to profit growth next year once the launch costs for Manoplax, its new heart drug, are out of the way. Admittedly, *Manoplax has yet to* win approval from the US authorities, let alone demonstrate a track record. But even a qualified approval should be enough to offset lower growth from the rest of the drugs portfolio. It would be a shame if Boots were weighed down too much by its defensive credentials in a rising market.

Royal Insurance

Judging by the near doubling of its share price in the last two months, the market clearly believes Royal is out of intensive care. Yesterday's news that it almost broke even in the three months to September – and managed its first quarterly UK profit since early 1990 – underpins this view. But it would also be foolish to underestimate the task Royal still faces in returning to anything like rude health.

Like General Accident earlier in the week, Royal is conspicuously riding the turn of the cycle. It was only a matter of time, of course, before the impact of higher premiums would be felt. What is more encouraging is the evidence of fewer claims, notably for subsidence and personal motor. Continuing anxieties, though, are the medium-term damage which mortgage guarantee losses could yet inflict, and the state of the balance sheet. The two, of course, are connected. Today's solvency margin is closer to 30 per cent than the stated 45 per cent if the life business is excluded, which leaves Royal vulnerable to another unexpected wave of repossessions if the economy again fails to respond to Mr Lamont.

In the short term at least Royal deserves the benefit of the doubt. There is a real management story, while its operational and balance sheet gearing are obvious attractions at this stage in the game. Further upside in the share price, though, must be limited by the 3 per cent yield.

Sony brings private view to video watchers

By Michiyo Nakamoto in London

THE COMPANY that developed personalised audio with the Walkman is now seeking to make video a similarly personal experience with a new portable video monitor.

Sony, one of Japan's leading consumer electronics groups, is developing the monitor, complete with liquid crystal screens and earphones, which will enable users to watch videos undistracted by the world around them.

The Visortron is worn over the eyes and looks like a pair of space-age ski goggles. It works by being connected to a standard video cassette recorder or a portable model, such as Sony's video Watchman.

On the inside are two small liquid crystal screens, 0.7 inches across, covered by spherical lenses. These create the illusion of seeing one large screen and take television viewing into the realms of virtual reality. For people with an eye-to-eye distance of 65mm, according to Sony, the experience is like watching a 33-inch screen.

When not in use, the plug-in earphones roll back into the unit, which weighs just 250 grams.

It is likely to be a year or two before the Visortron goes on sale as it is still at the prototype stage and is undergoing tests. No price for the monitor has been announced.

Sony believes that the Visortron will appeal to long-distance travellers who could use them linked to their own portable Watchman or an in-flight VCR.

Tests so far have shown that it is possible to watch the Visortron for up to two hours without any damaging effects, according to Sony. However, the group is still studying the monitor's effects on health.

Clinton pledges greater role for women in new cabinet

By George Graham in Washington

US president-elect Bill Clinton yesterday promised that his new cabinet would "look more like America than previous administrations" by including more women and ethnic minorities.

He also repeated his pledge to look beyond the Democratic party in naming the members of the administration.

The Clinton transition team also showed the priority his administration will give to the problem of controlling spiralling medical costs by announcing that there will be a separate transition policy director for healthcare, alongside directors for economic, domestic and foreign policy.

Ms Judy Feder, who directed a recent study of the US healthcare system was expected to be named to lead the healthcare team.

Mr Al From, head of the Democratic Leadership Council, a grouping of centrist Democrats which Mr Clinton helped found and which has worked hard to elaborate a moderate policy for the party, was set to head the domestic policy team.

Mr Samuel Berger, deputy director of the State Department policy planning staff in the Carter administration, was tipped to head the foreign policy team.

An assistant to Mr Robert Reich, a Harvard economist, author and friend of Mr Clinton, said that Mr Reich would direct the economic policy team.

In his first news conference since the election, Mr Clinton said he was not ready to make any cabinet appointments, and that he was still discussing what he wanted the various government departments to do.

Mr Vernon Jordan, a Washington lawyer, was named last week as chairman of the transition team, while Mr Warren Christopher, a deputy secretary of state in the Carter administration, is in day to day charge of the operation.

Since the election Mr Clinton has seemed to wind down after the gruelling pace of a year-long campaign, apparently spending much of his time jogging or playing golf.

He has now picked up the pace, inserting substantive comments on defence policy into a speech delivered on Wednesday at a Veterans Day commemoration.

Mr Clinton is due to meet Speaker Thomas Foley, Senate majority leader George Mitchell and House majority leader Richard Gephardt on Sunday for preliminary discussions on the agenda that will await Congress in the new year. He will travel to Washington on Wednesday to talk to President George Bush and meet congressional leaders.

Defence review, Page 2

Marrack Goulding, United Nations peacekeeping chief (right), and Margaret Anstee, UN representative in Angola, after meeting rebel leader Jonas Savimbi and president Jonas Eduardo dos Santos Page 4

Lamont boosts UK economy

Continued from Page 1

on the reaction of business and consumers over the next few weeks and months.

From 1993-94 onwards, most public spending will be expressed in terms of a new "control total". that excludes cyclical expenditures such as unemployment benefit. Under the new definition, departmental expenditure will total £243.8bn in the next financial year, rising to £253.6bn in 1994-95 and £263.3bn in 1995-96.

These increases will represent annual average growth of 1.4 per cent in real terms, compared with 3.2 per cent a year in the three years to 1992-93. Mr Lamont said the government had met in full its commitment to index pensions and other benefits.

Extra social security costs of nearly £4bn caused by the recession, have left their mark in departmental spending plans. Defence spending will be £570m less in 1993-94 than budgeted a year ago and is set to decline steadily in real terms in each of the coming financial years.

The government's finances in 1993-94 will be helped by an expected drop of £1.16bn in transfers to the European Community.

Cartels blamed for high Swiss prices

Continued from Page 1

mates that the prices of goods and services accounting for nearly 45 per cent of the weighting in the consumer price index are "administered or more or less strongly regulated at at least one stage of the way to the consumer".

It also observes that while Swiss inflation is not high, it is relatively persistent, suggesting that "inflationary shocks in Swiss consumer prices peter out very slowly". This persistence stems mainly from domestically produced items.

The OECD points out that Swiss competition law is "probably among the most permissive of collusive behaviour and restrictive practices". It accepts that private interests may exert an influence on third parties through the concerted acquisition of economic power, but as long as there is no abuse, private market order may be as good as, or better than, a free market.

Thus, the original law calls on the authorities only to counteract the harmful economic effects of cartels. Revisions in the 1980s clarified that cartels were harmful if they eliminated "effective competition" or if their negative effects outweighed positive ones. They were also accompanied by a marked strengthening in enforcement, leading notably to the dismantling of cartels in the banking and brewing sectors.

The OECD claims, however, that Swiss rules remain "in stark contrast" with common practice in other OECD countries and particularly in the European Community. Moreover, the number of enforcement staff is "very low by international standards".

It is sceptical of the view among some Swiss that most cartels will spontaneously collapse as domestic markets are subjected to more import competition. "The collapse of cartels does not necessarily lead to more competitive markets. Indeed, increased concentration is an often observed outcome".

It argues that only further toughening of competition law and its enforcement will lead to greater competition.

If Swiss voters ratify the European Economic Area treaty in a referendum next month, then Switzerland will take on EC competition rules. These prohibit cartels, the abuse of dominant positions and provide for examination of proposed mergers. Other EC rules will force Switzerland to align its norms and technical requirements, migration policy and public procurement practices up to a point.

The OECD, however, calls for a revised Swiss competition law in which "the protection of the competition process should be an overriding objective".

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	S	9	48	Frankfurt	C	7	45	Majorca	F	17	63	Oporto	F	14	57	Tenerife	S	22	72
				Brussels	F	7	45	Geneva	R	6	43	Malaga	S	22	72	Oslo	R	3	37	Tokyo	S	18	64
				Budapest	F	7	45	Gibraltar	S	20	68	Malta	F	23	73	Paris	F	10	50	Toronto †	R	6	43
Ajaccio	F	15	59	Buenos Aires	R	23	73	Glasgow	F	6	43	Manila	R	25	77	Prague	C	6	43	Tunis	F	23	73
Algiers	F	21	70	Cairo	F	23	73	Helsinki	Sn	0	32	Melbourne	C	15	59	Reykjavik	F	-3	27	Valencia	S	21	70
Amsterdam	F	8	46	Cape Town	S	23	73	Hong Kong	S	25	77	Mexico City	C	24	75	Rhodes	S	20	68	Venice	F	13	55
Athens	F	19	66	Caracas	C	28	82	Innsbruck	S	8	45	Miami †	S	24	75	Rio de Janeiro	C	33	91	Vienna	F	9	48
Bahrain	S	28	82	Casablanca †	S	20	68	Inverness	C	5	41	Milan	S	16	61	Rome	F	19	66	Warsaw	F	9	48
Bangkok	F	28	82	Chicago †	R	8	46	Islamabad	F	25	77	Montreal †	F	1	34	Salzburg	F	9	48	Washington †	S	11	52
Barcelona	F	17	63	Cologne	C	6	43	Istanbul	S	14	57	Moscow	C	-4	25	S'Francisco †	S	8	46	Zurich	C	6	43
Beijing	S	11	52	Copenhagen	C	6	[illegible]	Jakarta	R	31	88	Munich	R	7	45	Seoul	F	13	55				
Beirut	S	23	73	Corfu	F	20	68	Johannesburg	T	21	70	Nairobi	F	25	77	Singapore	F	29	84				
Belfast	F	5	41	Dallas †	S	8	46	Lisbon	F	18	64	Naples	C	20	68	Stockholm	R	3	37				
Belgrade	R	6	43	Dublin	S	7	45	London	S	9	48	Nassau	C	27	81	Strasbourg	C	7	45				
Berlin	F	7	45	Dubrovnik		–	–	Los Angeles †	S	12	54	New Delhi	S	28	82	Sydney	F	15	59				
Biarritz	F	14	57	Edinburgh	S	7	46	Luxembourg	F	6	43	New York †	Dr	11	52	Taipei	F	25	77				
Bombay	S	32	90	Faro	S	19	66	Madeira	F	20	68	Nice	S	18	64	Tangier	C	18	64				
Bordeaux	C	13	55	Florence	S	18	64	Madrid	S	15	59	Nicosia	F	20	68	Tel Aviv	F	22	72				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

FINANCIAL TIMES
COMPANIES & MARKETS
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INSIDE

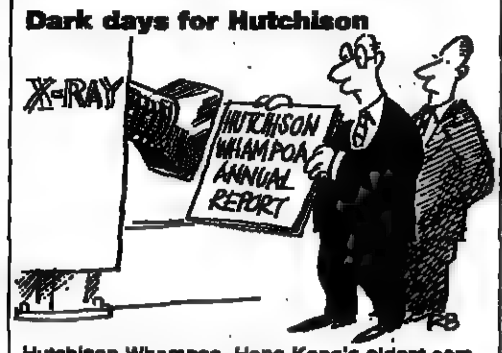
Norway plans to support banks

The Norwegian government is finalising measures to support the country's biggest three banks in danger of failing to meet capital adequacy regulations. Den norske Bank, Christiania Bank and Fokus Bank are negotiating with the state-backed bank insurance fund to obtain further capital support. Page 20

Shell helped by sterling crisis

Currency gains after the devaluation of sterling helped Royal Dutch/Shell Group, the Anglo-Dutch oil group, raise third-quarter profits 58 per cent to £824m ($1.25bn). Page 24

Dark days for Hutchison

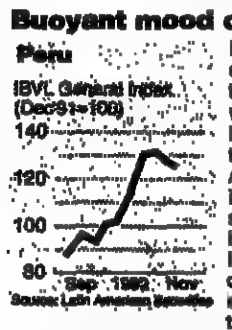


Hutchison Whampoa, Hong Kong's oldest company, has been in the doldrums for the past 18 months: its share price has underperformed the local stock market by 30 per cent. Hutchison has done nothing to improve matters. It produces an opaque balance sheet and its senior executives only give interviews to a tame local media. Page 22

Coup at Sanyo

Mr Satoshi Iue, president of Sanyo, the Japanese electronics company, yesterday fell victim to a boardroom coup. Mr Iue is to become the group's chairman responsible for supervising the group's overall business. Page 22

Buoyant mood on Lima's bolsa



In an impressive recovery, the Lima *bolsa* has turned in one of the world's best stock market performances over the past two months. After a 15 per cent gain in dollar terms in the second half of September, the general index leapt more than 30 per cent in October. Recent events boosted market: the capture of guerrilla leader Abimael Guzman coincided in late September with approval by the IMF of Peru's economic stabilisation programme. Back Page

On stream in time

Alusaf, the South African aluminium producer, is to proceed with the construction of a 466,000 tonnes-a-year aluminium smelter, the largest in the western world. The announcement comes against the background of a deep recession in the world aluminium industry, although some predict a shortage of the metal by the middle of the decade, when the Alusaf expansion comes on stream. Page 32

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Aachen Mch	835	+	35
Degussa	329	+	13
Mannesmann	231.8	+	11.8
Falls			
Asko	474	−	10
Holzmann Ph	922	−	13
Wella Prf	650	−	10

NEW YORK ($)			
Rises			
Abbott Labs	29¾	+	4⅛
Gap	33⅝	+	2⅛
Merck	45⅞	+	1
Pfizer	77¾	+	⅝
Falls			
Glaxo	24⅜	−	¼
Lands End	25⅞	−	4

New York prices at 12.30.

PARIS (FFr)			
Rises			
Axa	981	+	11
BNP Cert Inv	380	+	11.1
Euro RSCG	454	+	17
Fonc Lyonnaise	546	+	28
Ingenico	393	+	23
Falls			
Saint Gobain	525	−	19

TOKYO (Yen)			
Rises			
Advantest	1610	+	130
Seibu Kenko	133	+	13
Inabata	1120	+	90
Falls			
Kitz	470	−	40
Misawa Homes	864	−	87
Yamazen	493	−	42

LONDON (Pence)			
Rises			
Allied Leisure	[illegible]	+	4
BT	388	+	15
Br Aerospace	136	+	7
Burton	55	+	11
Cook (Wm)	118	+	20
CountrysideP	89	+	7
FKI	88	+	6
Hambleton A	249	+	14
King Shaxson	93	+	6
Lex Service	244	+	18
Marshalls	55	+	8
McAlpine (A)	135	+	15
McLeod Russel	[illegible]	+	12
Mowlem (J)	80	+	6
Quicks	106	+	13
Rolls-Royce	117½	+	6½
Royal Insnce	247	+	21
Unit Group	47	+	8
Falls			
Booker	372	−	22
Clayton Son	95	−	8
High-Point	66	−	10
Oriel	95	−	9
Plysu	243	−	22
Wheway	12	−	3

Ford names president in top reshuffle

By Martin Dickson in New York

FORD MOTOR yesterday named Mr Alex Trotman president and chief operating officer of its worldwide vehicle operations in a top management reshuffle which left a question mark over the succession to Mr Harold Poling, the US group's chairman and chief executive, who will retire next year.

The shake-up stems from yesterday's announcement that Mr Philip Benton, the group's 63-year-old president and chief operating officer, will retire on January 1. No date has been announced for the retirement of Mr Poling, 67. Mr Benton's title disappears under the shake-up.

The reshuffle places 59-year-old Mr Trotman, previously head of North American car operations, in a much stronger position in the succession stakes but does not rule out the possibility that the top job could go to Mr Allan Gilmour, 58, the man analysts once viewed as the front-runner.

Mr Trotman rose on the operations side of the automotive business while Mr Gilmour's experience has been mainly financial. Mr Trotman is the only senior Ford executive to have run its vehicles operations in each of the three main markets – North America, Europe and Asia. He also becomes a member of the board and of the office of the chief executive, which is being enlarged from four people to six.

Mr Gilmour, who has been on the board since 1986 and until now was head of the worldwide automotive group, becomes one of two vice-chairmen, taking responsibility for Ford's financial services operations and corporate staffs.

Mr Louis Ross, 60, who is in charge of Ford's technical operations and is a board member, has also been appointed a vice-chairman and joins the office of the chief executive.

Mr Edward Hagenlocker, 52 and previously in charge of general operations at North American vehicles, takes over as head of the region from Mr Trotman.

Mr Ken Whipple, 58 and president of financial services for the past four years, joins the expanded office of the chief executive.

The absence of a clear heir apparent to Mr Poling might mean the board is undecided about the succession, does not want to put the current chairman in a "lame duck" role, or is anxious not to alienate Mr Gilmour as a key member of the executive team.

BT profits decline by 36% in wake of redundancies

By Hugo Dixon and Roland Rudd in London

A BIG redundancy programme was behind a 36 per cent fall in British Telecommunications' pre-tax profits for the half year to the end of September.

Profits fell from £1.61bn to £1.03bn ($1.55bn) and earnings per share were 42 per cent down from 17.4p to 10.1p.

However, if redundancy charges of £442m and a £135m exceptional loss incurred on the disposal of its Canadian Mitel subsidiary are added back, earnings per share would have fallen only 2 per cent.

The interim dividend will be 6.15p (5.7p), a 7.9 per cent increase. BT's shares closed up 15p at 388p.

Mr Iain Vallance, BT's chairman, said the recession, regulation and tougher competition led to a 1.5 per cent fall in turnover to £6.53bn. But he said in the second quarter "the first signs of a slight improvement may have been perceptible" and that this had continued in October.

On a 12-month moving average, inland call volumes fell 1 per cent, international volumes grew 5 per cent and exchange line connections increased 0.9 per cent.

Mr Vallance said of the link this week between Mercury Communications, its main UK rival, and BCE, the Canadian telecommunications group: "I am fairly relieved at the choice of partner."

He dismissed stockbroker suggestions that shareholder value could be enhanced by increasing dividends more sharply or buying back the company's shares.

Mr Barry Romeril, finance director, said such suggestions were based on the hypothesis that the company would accumulate a cash mountain whereas its net debt was more than £2bn.

He said the group had ambitions in the UK and overseas which would require investment.

Mr Vallance defended last week's sale of BT's stake in McCaw Cellular Communications, the large US mobile communications company, as "not a strategic blow". He said the group's ambitions overseas remained unchanged.

Mr Vallance said that in the UK BT would like to provide entertainment services over its network and integrate its mobile communications operations with its mainstream network. But both are prevented by regulation.

Capital expenditure fell from £1.17bn to £952m for the half year.

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Royal Insurance cuts losses by 60% to £83m

By Richard Lapper in London

FURTHER evidence of a recovery in the UK insurance sector emerged yesterday when Royal Insurance, the composite (general and life) insurer, reported reduced losses for the nine months ending September 30.

Pre-tax losses were cut by 60 per cent to £83m ($127m) compared with £214m in the same period of 1991. The announcement prompted a positive reaction from the markets and the share price rose by 21p to close at 247p.

Improvements in the domestic UK market underpinned the result. General insurance losses in the nine months fell to £57m, from £227m, and in the third quarter, for the first time since June 1990, the company produced a pre-tax profit. Domestic mortgage indemnity business continues to be a problem area, but losses fell to £136m from £173m.

Losses on personal motor insurance fell from £28m to £2m, as a result of higher premiums, reduced exposures and lower claims frequency.

Losses from commercial property policies rose £1m to £27m, mainly due to the impact of the IRA bombs in London last April. Elsewhere, US business produced a £12m profit compared with a £14m loss last year, in spite of the impact of hurricanes Andrew and Iniki. Total group losses from these events are estimated at £35m, with £16m affecting Royal's US business and £14m the reinsurance operations. Royal UK lost £2m from the hurricanes, mainly due to claims from Grand Metropolitan, whose Burger King in Florida were damaged.

Royal International recorded a pre-tax profit of £14m against £4m in 1991, but profits at Royal Canada fell from £31m to £22m, and pre-tax losses at Royal Reinsurance increased from £11m to £41m.

Royal said it was planning to scale back its involvement in the reinsurance market, increasing premiums but reducing exposures.

Following the restructuring operation announced in August, solvency (net assets as a percentage of non-life premium) rose to 40 per cent by the end of September, and has subsequently increased to an estimated 46 per cent, partly as a result of rises in the equity market and the strengthening of the dollar.

Royal has reduced staff numbers worldwide by 2,500 since the beginning of the year.

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Mapping an approach to corporate ills

Robert Peston on an initiative by the Bank of England to help beleaguered companies


Pen Kent: 'If we all keep our nerve, there will be more survivors'

Bankers to British companies are getting nervous. "What I describe as some of the better names among companies are breaching their borrowing covenants," said a senior director of one of the UK's biggest banks.

He and his peers fear that unless the banking community – foreign banks included – works together to support these companies, serious damage might be done to the UK economy.

To reinforce the need for co-operation between banks, Mr Pen Kent, an associate director of the Bank of England, has over the past two weeks spoken to closed meetings of bankers on guidelines operating in the City of London as to how banks should behave when a company runs into difficulties. These guidelines are known as the London Approach and are a statement of best practice supported strongly by the Bank.

Yesterday he repeated the speech in a more public forum, at the Chartered Institute of Bankers. The intention of the London Approach is to create an orderly framework for negotiations between a bank and a troubled company to prevent that company from going into receivership unnecessarily.

When a company runs into difficulties, it often asks its banks to defer principal payments, roll up interest or extend new credit. Most lending agreements contain covenants requiring a unanimous agreement of the banks to any such substantial changes in the loan terms.

The convention that there should be unanimity allows a bank wanting to get back its loan from a troubled company to hold the company's other banks to ransom. One recalcitrant bank may threaten to vote against a reconstruction proposal and put a company into receivership, unless other banks promise to repay that bank's loan.

In such disputes the Bank of England is normally happy to intervene and put pressure on the rogue bank to be more co-operative. Mr Pen Kent may either talk to the bank himself, or, if that bank is foreign, to its domestic regulator.

However, he is adamant that this is not a process of favouring the views of UK banks over foreign banks. "We operate an open-door policy and will talk to any player involved whether large or small, domestic or foreign," he said. Mr Kent has intervened in bank negotiations in relation to 70 companies in the past year.

Although the Bank has usually been successful in forging a unanimous view among banks, Mr Kent urged banks to adopt new procedures when writing loan covenants. He said the requirement of a unanimous vote for a reconstruction to go ahead should be replaced with a qualified majority.

He attacked banks and professional advisers for charging excessive fees when refinancing companies. "Fees and costs are ... always too high."

Companies such as Eurotunnel, WPP and Brent Walker have complained that their bankers and other advisers have been charging tens of millions of pounds for changes in their borrowing agreements. Mr Kent said: "I know of a number of cases where the costs associated with a proliferation of advisers has led to a real risk to the future of the company concerned."

All the advisory costs in a corporate reconstruction are typically paid by the company being rescued, even if those costs relate to legal and financial advice given to the company's banks.

Mr Kent said that when a company has several banks, those banks should share a single legal adviser. He warned that "we in the City ... shall bring ourselves into disrepute" unless these fees and costs are kept down.

Mr Kent also has misgivings about the new practice of banks selling their loans in troubled companies to other financial institutions. These transactions are relatively common in the US and are gradually taking place in the UK. Some of WPP's banks for example sold their loans when the advertising group ran into difficulties.

Mr Kent was concerned that when banks are trying to rescue a company – what he calls a "work-out situation" – debt sales "will impede progress".

He added: "Selling debt in response to news that a company is in difficulty is not in keeping with one of the basic tenets of the London Approach."

The Bank of England does not want to discourage the creation of a secondary market in corporate debt. But Mr Kent wants the banking community to draw up a "code of conduct to minimise disruption during the formulation of a work-out".

In particular, any institution buying debt in a troubled company should be made aware that it is taking on a responsibility to join in the negotiations to rescue the company and not rely on the company's traditional bankers to organise the rescue alone.

Mr Kent added that in general banks should not exclude non-bank creditors – holders of bonds or short-term debt securities – from the process of rescuing a company.

But he has not been persuaded by the request from foreign banks that the Bank of England should establish a register of companies' debts, so that any bank lending to a company could discover whether that company had already borrowed too much from other sources. The request for such a register was made after last year's collapse of Mr Robert Maxwell's companies. Mr Kent said: "I have my doubts about whether such an institution would be effective."

Such a register would not work in the UK, he believes, because companies can borrow offshore and therefore any company which wanted to disguise its overall indebtedness could do so.

Some companies, such as O&Y Canary Wharf, owner of Europe's biggest property development in London's Docklands, are, however, incapable of being rescued by the voluntary efforts of bankers. These companies need to use insolvency legislation to protect themselves from the competing claims of creditors.

But Mr Kent said that UK insolvency law is unsatisfactory. Too few companies are using the administration procedures of the Insolvency Act to acquire creditor protection for a limited period while rebuilding their businesses. So if bankers cannot agree on a voluntary rescue, most troubled companies go into receivership, from which they rarely emerge as a going concern.

"I would like to see a detailed review of the working of these parts of the Insolvency Act to explore ways of making these [administration procedures] more usable," he said.

But the best cure for corporate ills is not any legislative change, he added. It is for banks to learn more about their customers and only lend when the cash flows of a company can support the loan. In the meantime, "If we all keep our nerve ... there will be more survivors to benefit from those lessons."

Boots profit rises 15% in first half

By Maggie Urry in London

A STRONG performance from Boots' chemist shops and a return to profits from Halfords, its chain selling car accessories and bicycles, helped the UK retail and pharmaceutical company increase pre-tax profits 15.6 per cent to £187.8m ($283.6m) in the first half of its financial year.

However, a fall into losses by the do-it-yourself joint venture and disappointment that a patent extension on one drug would not be possible contributed to a 10p drop in the share price to 487p.

Sir Christopher Benson, chairman, said in the current economic climate the results were "very good".

Group sales rose 7.9 per cent to £1.85bn in the six months to end September, and trading profit was 6.6 per cent higher at £198.2m. There was a fall in interest payable from £23.5m to £10.4m, £8.8m due to the conversion of bonds into shares.

Earnings per share rose 11.5 per cent to 12.6p and the interim dividend is up 7 per cent to 4.6p.

The Boots the Chemist chain increased trading profits by 20.8 per cent to £117.4m, in spite of a £5.4m charge.

Among its other retail chains, Halfords made a profit of £1.2m, against a loss of £6.2m. Losses from Sephora, the French perfume business, increased from £500,000 to £1.2m.

The pharmaceutical division's profits fell from £67.2m to £64.8m as an extra £8m was spent on marketing Manoplax, a new drug for congestive heart failure. This was launched in the UK in September and Sir James hopes for US approval by next March.

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Restructuring helps Atlas Copco to offset downturn

By Christopher Brown-Humes in Stockholm

ATLAS Copco, Europe's largest air compressor manufacturer, lifted profits, after financial items, to SKr751m ($125.9m) for the first nine months of 1992, up 22 per cent on the same 1991 period.

Operating profit after depreciation rose 24 per cent to SKr914m. Sales rose a more modest 6 per cent to SKr11.65bn, largely reflecting the acquisition of AEG's electrical power tool operations at the start of the year.

Atlas Copco said it continued to suffer from recession in many of its main markets and currency movements had also had a negative impact. But it noted that it was now reaping the benefit of restructuring and investment carried out in 1990 and 1991, which had enabled it to offset some of the effects of the downturn.

The biggest turnround came in the construction and mining technique business area, which posted a SKr128m profit in the nine months, compared with a SKr47m loss.

Last year this division was responsible for the biggest share of an overall SKr166m restructuring charge.

The Industrial Technique division, which now includes the AEG power tool activities, saw earnings fall to SKr112m from SKr192m. The third major area of operation, Compressor Technique, boosted earnings to SKr755m from SKr749m.

The group expects its operations to be effected by continued weak demand for the rest of the year, with recent currency movements having an additional adverse impact.

Nevertheless, it still expects a better result than in 1991, when profits after financial items amounted to SKr910m.

● Stora Kopparbergs, the forest products group, has accepted a new offer from holding company Industriforvaltnings AB Kinnevik for its shares in Korsnas. Stora owns 15 per cent of the voting rights and 13 per cent of Korsnas' capital.

Creditanstalt optimistic after modest reversal

CREDITANSTALT-Bankverein, the state-controlled Austrian bank, hopes to post an unchanged partial operating profit this year following a modest setback during the first nine months of 1992, Reuter reports from Vienna.

"We are optimistic that we will be able to achieve a partial operating profit at Creditanstalt this year in line with last year as a result of tight cost management," the bank said in a letter to shareholders.

Improved results from the bank's trading on its own account should ensure that Creditanstalt's total operating profit rises against last year, the bank said.

Nine-month partial operating profits slipped by 8 per cent to Sch1.33bn ($118.64m). Operating profits improved by 3 per cent to Sch2.2bn.

Partial operating profit comprises the interest surplus and fee income, less operating costs. Total operating profits include earnings from trading on the bank's own account.

Increased credit risks, especially among Austrian borrowers, mean that net profits will fall short of last year, the letter continued.

Creditanstalt said operating conditions had been very difficult, but that it had taken measures to improve earnings by increasing account fees and by pushing since August to widen interest rate margins.

Norway moves to aid three banks

By Karen Fossli in Oslo

THE Norwegian government is finalising far-reaching measures to support the country's three biggest banks, which are in danger of failing to meet capital adequacy regulations unless they receive further state cash.

By the end of this year, the banks must have a capital adequacy of at least 8 per cent of risk-weighted assets. Den norske Bank, Christiania Bank and Fokus Bank are negotiating with the state-backed bank insurance fund to obtain further capital support.

All three have this year failed to improve their financial positions, in spite of state cash transfers in 1991 of nearly NKr25bn ($3.87bn) which saved them from insolvency.

As a result of last year's actions, the state became sole owner of both Christiania and Fokus and owns more than 85 per cent of DnB.

Next Thursday, parliament is expected to approve a request by the bank insurance fund for additional state cash. Local analysts estimate the fund will call on the government for between NKr5bn and NKr8bn.

Mr Tormod Hermansen, the head of the fund, said he was surprised and deeply disappointed by the banks' recent nine-month figures – DnB losses, for example, rose to NKr2.46bn from NKr2.3bn – and was not satisfied with their efforts to take tougher steps to reduce operating costs.

Mr Hermansen said the banks were not, in general, earning enough to cover operating costs and were supporting too high a level of service for which customers were unwilling to pay.

He has called on the banks to cuts costs by 15 per cent, and hopes to conclude negotiations at the weekend.

The bank employees' association is resisting further staff reductions and has scheduled a one-hour strike for today.

The association claims a 15 per cent cost-cut would mean the loss of 2,000 jobs. The Norwegian banking industry has already shed more than 8,000 jobs in the last five years

The insurance fund may also establish a property company to which the banks can transfer part of their property holdings. Bank property asset values have fallen sharply in recent years. DnB has property assets of NKr17bn, Christiania has NKr2.3bn and Fokus NKr2.8bn. Mr Hermansen said the state, the banks and private investors would own the new company.

The negotiations will also centre on the commercial banks selling parts of their distribution networks to savings banks in an effort to consolidate operations to specific regions.

SPAREBANKEN, Norway's biggest savings bank, reported nine-month losses more than halved to NKr206m ($31.91m) from NKr523m, despite a slight increase in credit losses to NKr1.07bn from NKr1.02bn, due to a NKr100m increase in third-quarter losses. Capital adequacy was at 9.1 per cent of risk-weighted assets, exceeding the 8 per cent required minimum.

Schering slips 6% to DM210m

By Leslie Colitt in Berlin

SCHERING, the German pharmaceuticals and chemicals group, suffered a 6 per cent fall in earnings to DM201m ($125.60m) for the first nine months of 1992, on turnover up 2 per cent to DM4.89bn.

The company blamed the setback on lagging sales of agrochemicals and exchange rate-induced losses by foreign subsidiaries.

Full-year earnings are expected to be slightly higher once gains from the sale of Schering's industrial chemicals, natural substances and electroplating divisions are included, the company said.

The disposals were made in order to concentrate on pharmaceuticals and agro-chemicals, the most profitable sectors.

While pharmaceuticals sales rose 10 per cent to DM2.9bn, turnover in agro-chemicals dropped 12 per cent to DM1.07bn. Sales of industrial chemicals increased by 2 per cent to DM894m. Schering's overall sales were up 6 per cent in Germany and were 11 per cent higher abroad.

Earlier this month Schering concluded the sale of its chemicals and natural substances divisions to the Witco chemicals company of New York for DM660m. It was financed by banks in the US, Germany, the UK and Spain.

Last August Schering sold its electro-plating division to the Elf group in France.

Mr William Toller, Witco chairman, said the company's competitive position would be greatly strengthened in Europe, where it gained two former Schering production plants in Germany as well as factories in France, Italy, Spain and the UK, in addition to plants in the US and Ecuador.

Sega surges 83% on strong sales

By Robert Thomson in Tokyo

SEGA Enterprises, the Japanese electronic games maker, continued its remarkable rate of growth during the first half, when sales surged 91 per cent and pre-tax profits advanced 83 per cent.

The company said sales of home-use video games doubled during the half, in which it made greater inroads into the Japanese market share of the main competitor, Nintendo, which has traditionally dominated the domestic market.

While many other leading Japanese companies' assets are shrinking and their profits falling, Sega has doubled in size over the past year, even though it was forced to pay $43m in a US patent dispute.

Pre-tax profits for the half were Y27.4bn ($221m), compared with Y14.9bn for the same period last year, while sales were Y167.3bn against Y87.49bn. Net profits rose 72 per cent to Y13.77bn from Y8.01bn, and the company is to pay an interim dividend of Y12 a share, up from Y7 last year.

Sega also runs amusement arcades in Japan, and reported that sales in this sector rose from Y18.7bn last year to Y28.3bn. The company has profited from a shift towards cheaper amusements as the domestic economy has slowed.

The company maintained momentum in international markets after having scored unexpected victories against Nintendo last Christmas in the US. Domestic sales, which account for about 45 per cent of revenue, have also risen on the success of new games.

For the full year, Sega is forecasting a 50 per cent increase in sales to Y320bn, and a pre-tax profits of Y50.3bn, also 50 per cent higher.

TTL recovers to A$15.2m at end-September

By Kevin Brown in Sydney

TELEVISION and Telecasters (TTL), the holding company for Australia's Channel Ten television network, yesterday announced net profits of A$15.2m (US$ 10.51m) for the 60 weeks to end-September.

The result marks a significant recovery for the network, which went into receivership in 1990 and is now owned by Westpac Banking Corporation, formerly its biggest creditor.

Westpac is in the process of completing a deal to sell the network to a consortium led by CanWest Global Communications, a Canadian broadcasting company which also owns a majority stake in New Zealand's TV3 network.

TTL, which controls programming for the network and operates three east coast stations, reported a profit of A$28m before interest and tax, representing a gross return of 11 per cent on sales.

Mr Gary Rice, managing director, said the result was achieved in spite of difficult trading conditions caused by slow economic growth.

He said he was confident the network could maintain its improved performance in the current year.

Unilever freezes managers' pay

By Ronald van de Krol in Amsterdam

UNILEVER, the Anglo-Dutch consumer products group, said yesterday that it is to freeze the maximum pay scales of its 2,000 managers and assistant managers based in the Netherlands.

The move reflects similar wage measures at some other Dutch companies and uncertainty about the outlook for the domestic economy.

The company said that the wage freeze would be limited to managers in the Netherlands and would not be extended to staff at either its British arm or in other parts of the world.

Of Unilever's 2,000 managerial staff in the Netherlands, around 600 will be directly affected by the freeze because they already receive the maximum salary in their scale.

The other 1,400 managers will receive an as yet undetermined salary rise.

Unilever has a total Dutch workforce of 9,500.

A Unilever spokesman said that maximum pay scales for managers may be raised later in 1993, depending on the economic conditions in the Netherlands and the pay trend for similar jobs at other companies.

Pay scales for Unilever's Dutch managers are normally raised on January 1.

The spokesman said that the freeze "has nothing to do with the situation at Unilever itself".

Last week, Unilever reported a 4 per cent increase in third-quarter net profit in guilder terms and an 8 per cent rise in sterling terms.

Arthur Andersen lifts revenue by 13% worldwide

By Andrew Jack

ARTHUR ANDERSEN, the accounting and consulting firm, announced revenues up 13 per cent to $5.57bn for the year to August 31.

Andersen, which employs more than 62,000 staff worldwide, lifted revenues by 9 per cent to $2.96bn in the Americas, 18 per cent to $2.14bn in Europe, Middle East, India and Africa, and 16 per cent to $1.84bn in Asia/Pacific.

Saab injection could total SKr3bn

By Christopher Brown-Humes

SWEDEN'S Saab Automobile is to receive a capital injection of between SKr2bn and SKr3bn ($335m-$503m) in the next few months, according to Saab-Scania, which jointly owns the company with General Motors of the US.

Mr Lars Kylberg, president of Saab-Scania, said the final amount would be decided in December once Saab Automobile has finalised its new business plan.

The motor group announced a wide-ranging rationalisation plan on Monday, including 2,000 job cuts, in order to save SKr2bn.

In June 1991 the joint owners ploughed SKr5.5bn in Saab, which has made losses for the last three years, and doubts have been expressed about the extent to which they would continue to provide support.

"This will be last time," said Mr Kylberg yesterday.

The hope is that the capital injection, together with the cost-cutting measures and the launch of the group's new model next year, will provide the basis for Saab's return to profitability. The group made a SKr1.3bn loss in the first nine months of 1992 and says it expects to make a loss of more than SKr2bn in the full year.

● Volvo will delay but not cancel plans to invest some SKr500m in a Polish joint venture, Reuter reports from Stockholm.

A spokesman said negotiations to build a new plant in Poland are continuing. Volvo had hoped for a final agreement by the end of this year, but this will not now happen. The spokesman did not give any new timetable.

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Thomson climbs 9% to $221m in third quarter

By Bernard Simon in Toronto

THOMSON Corporation, the international publishing and travel group, lifted third-quarter earnings by 9 per cent. But the Canadian-owned company warned that its performance was being held back by slow holiday bookings in the UK and the poor newspaper market in Ontario.

Much of the improvement in earnings came from the group's US publishing interests. Despite a lacklustre performance by Thomson's UK regional newspapers, operating profits of the information and publishing division jumped by 19 per cent after amortisation charges.

The company has also been helped by a substantial drop in financing charges, including lower preferred share dividends.

Total third-quarter earnings rose to US$221m, or 38 cents a share, from $202m, or 35 cents, a year earlier. Sales rose to $1.94bn from $1.76bn.

Thomson Travel's operating income rose fractionally to $150m, with a 9 per cent rise in summer packaged-tour volumes being offset by fierce discounting.

October departures were "weak" and holiday bookings for the coming winter season are below the level at this time last year. Summer 1993 bookings have also started slowly.

Thomson Newspapers, which includes the group's US and Canadian papers, reported third-quarter operating profit of $34m, almost unchanged from last year. But advertising lineage in the first nine months was 2.7 per cent lower in the US and 5.8 per cent down in Canada. The newspaper operations benefited in the third quarter from lower newsprint costs and various belt-tightening measures.

Thomson noted in general that "economic conditions remained depressed in both Canada and the UK, and the very modest recovery in the US has not to date materially benefited the markets in which we operate".

Fuji Heavy posts first profit in three years

By Robert Thomson in Tokyo

FUJI Heavy Industries, the Japanese carmaker, reported pre-tax profits of Y224m ($1.8m) for the first half, its first profit in three years and a sign that a restructuring overseen by Nissan Motor has increased profitability.

In the year-earlier period the company reported taxable losses of Y2.4bn.

First-half sales rose by only 1.3 per cent to Y399.86bn from Y394.76bn, though the company still reported after-tax losses of Y274m against losses of Y2.4bn.

However, Fuji Heavy, which makes Subaru cars, said profitability had improved because of a cost-cutting programme. The company remains under pressure because of the weakness of the domestic car market, a problem also afflicting Nissan Motor, which has a 4.2 per cent stake in Fuji and has consigned production to the company.

The volume of Fuji Heavy sales fell 9 per cent to 235,000 units during the period, reflecting the difficult market conditions, in particular the weakness in demand for minicars, which has been affected by stricter Japanese parking regulations.

For the full year to end-March, Fuji Heavy is forecasting a 9 per cent increase in sales to Y900bn, and pre-tax and after-tax profits of Y1bn, revised down from a previous estimate of Y2bn.

Last year, the company reported pre-tax losses of Y4bn.

Carrier awaits decision on rescue package

By Bernard Simon

THE CANADIAN government is facing a tough political decision over whether to support a rescue package for ailing Canadian Airlines International.

Ministers are torn between rival commercial and regional interests. Their decision, expected shortly, is likely to be a key factor in determining the outcome of the increasingly desperate battle for survival between the country's two leading airlines, Calgary-based Canadian and Air Canada of Montreal.

A group of Canadian Airlines employees, backed by management and by regional interest groups in western Canada, has asked Ottawa and various provincial governments to guarantee up to C$290m (US$241.6m) in loans to the airline. The loans are required to fulfil conditions set by American Airlines of Dallas for an alliance with Canadian, which would include a minority shareholding for the US carrier.

The American investment, which would be combined with a partial buy-out by Canadian's employees, appears to be the loss-making Calgary carrier's last hope for survival.

Merger talks between Canadian and Air Canada broke down last week. Canadian has warned if talks with American fail, it will have little choice but to file for bankruptcy protection. Shares of PWA Corp, Canadian's parent, continued to slide on the Toronto Stock Exchange yesterday.

But Canadian's requests for government financial support are strongly opposed by Air Canada, which is losing about a million dollars a day.

Air Canada's chairman Mr Claude Taylor has demanded his airline should also receive a government bail-out, if one is offered to its competitor. Air Canada has also threatened to sue Ottawa for breaking a pledge that the government would not interfere in the airline industry.

St Paul to take write-down on Minet

By Nikki Tait in New York

ST PAUL Companies, the Minnesota-based property-casualty insurer, is planning to write down the value of its large, but troubled London-based insurance broking subsidiary, Minet Group, which was acquired by the US parent in 1988.

St Paul said yesterday it intended to take a write-down of a portion of goodwill associated with the group as a non-cash charge against its fourth-quarter earnings.

The US company did not specify the size of the write-down, but said this would be "material" and result in the operating loss for the group in both the fourth quarter and for the year overall.

In the first nine months of 1992, the US company reported total operating earnings of $92.5m.

St Paul bought out the 74 per cent of Minet which it did not already own for around $515m in 1988. At end-September this year, the carrying value of Minet-related goodwill was put at $482m.

The Minnesota-based parent has made no secret of the problems within its insurance broking division, which employs around 4,000 people and has about 100 branch offices, recently.

Reporting third-quarter results – which also bore the adverse impact of Hurricane Andrew – Mr Douglas Leatherdale, St Paul's chairman, said that Minet had proved "a major disappointment", and generated "substantial" losses in the first nine months of the year.

On a pre-tax basis, Minet's deficit was put at $32.1m for the third quarter, and $51.7m for the first three quarters.

As a result, efforts to restructure the Minet business are underway. According to St Paul, these concentrate on reducing the number of profit-centres, so that back-office facilities and support staff can be streamlined; putting more emphasis on a "country-based" structure, rather than operating by product line; and emphasising specific, specialised product areas, such as professional liability.

Nevertheless, some analysts have cautioned against expecting a rapid turnround in the brokerage business, given the weakness of premium volume in international insurance markets.

Nymex opts to remain in New York City

By Laurie Morse in Chicago

THE New York Mercantile Exchange (Nymex), the world's largest energy market, will remain in New York City.

The Nymex board voted late on Tuesday to move the exchange to a building at 390 Greenwich Street in Manhattan. The move is scheduled for late 1994. The Greenwich Street property, built in 1986 and specifically designed for technology intensive use, is owned by the American Express unit Shearson Lehman Brothers.

Nymex's decision to stay is a boon for New York City, which is struggling financially.

Mr Carl Weisbrod, president of New York's Economic Development Corporation, declined to give details of the incentives the city offered Nymex to remain. However, he said they included funds for building renovation, special tax benefits, and an agreement for subsidised power.

Nymex pays $75m in city and state taxes each year.

The new address is just a few blocks away from the site where the Nymex's sister exchanges, the Commodity Exchange, The New York Futures Exchange, and the Coffee, Sugar and Cocoa Exchange are negotiating to build a facility.

All four of New York's futures exchanges are now jammed into a single 25,000-foot trading floor in the World Trade Center. Seeking to relieve the congestion, the exchanges discussed leaving New York entirely and relocating to New Jersey, where costs were believed to be lower.

That plan was abandoned last year.

Nymex broke off from the group after a series of disagreements and since then has been searching for its own premises.

Last year 27.8m futures and options contracts changed hands at Nymex. A majority of those were in the exchange's crude oil futures pit, which is used to price oil transactions worldwide.

MIM to focus on cutting costs to offset price falls

MIM Holdings, the diversified Australian mining group, plans to concentrate on reducing costs to offset price falls for its main products of copper, lead and zinc, Reuter reports from Brisbane.

Mr Norm Fussell, chief executive and managing director, told the group's annual meeting that the Australian and world recessions appeared to have some distance to run.

"We cannot, therefore, anticipate substantial rises in prices for MIM's main products in the short term," he said. "Recent falls in copper, lead and zinc prices confirm this.

"MIM must concentrate on reducing costs, thereby improving its competitive position against other producers worldwide."

Mr Fussell said costs at the group's Mount Isa and Hilton copper, lead, zinc and silver operations had been cut by about A$80m (US$57.1m) a year since a concerted cost-cutting campaign began 18 months ago.

He said MIM's net profits for the three months to September 20 of A$29m, up from losses of A$3.5m a year earlier, was due to cost reductions at the group's main operations and low-cost gold mines.

"Gold will continue to be very important for MIM," Mr Fussell said, adding that MIM was also planning to expand its copper output.

"In exploration, the search for copper has highest priority, particularly in north-west Queensland, Papua New Guinea and Chile," Mr Fussell said.

Canadian financial group unveils rise in profits

By Robert Gibbens in Montreal

POWER Financial, the financial services group controlled by Montreal financier Mr Paul Desmarais, unveiled a profits advance to C$163.8m (US$136.5m) or C$1.87 a share in the first nine months. This compares with C$129m or C$1.43 a year earlier.

Consolidated revenues were little changed at C$4.2bn.

The Great-West Lifeco made an increased contribution, as did Investors Group. Pargesa, the European holding company jointly owned with the Frère Group of Belgium, contributed C$26.3m to Power Financial's earnings.

The latest period included a C$61.5m special gain taken in the second quarter, resulting from a stock issue by Investors Group.

Third-quarter profit was C$28m or 31 cents a share, against C$37m or 41 cents a year earlier on revenues of C$1.39bn, little changed.

● United Westburne, the North American plumbing, heating and electrical goods wholesaler controlled by Dumez of France, suffered a third-quarter loss of C$330,000 or 1 cent a share, against a profit of C$2.7m or 7 cents.

Sales were C$579m, down nearly 4 per cent, due to the sale of the Memphis division.

The nine-month loss was C$7.9m or 21 cents, including a $2m loss from discontinued operations, against a loss of C$4m or 11 cents. Sales for the period were little changed at C$1.6bn.

Gap stock rises despite slide in after-tax earnings

By Nikki Tait

SHARES in The Gap, one of the most highly regarded US specialty store groups, rose $2 to $33¼ at midday yesterday, despite news of a tumble in the third-quarter earnings to $62m after tax.

In the same period of 1991, The Gap – which takes in the Banana Republic and GapKids stores as well as its namesake chain – recorded a net profit of $70.8m.

At the earnings per share level, the figure drops from 50 cents to 43 cents.

The third-quarter profits slip means The Gap has now produced after-tax profits of $145m in the first nine months of 1992, compared with $145.9m in the same period of 1991.

The company blamed the profits fall principally on additional advertising expenditures and reduced merchandise margins, but it pointed out that all of its divisions had been profitable during the three-month period.

The company, which is heavily committed to denim product, cut prices of jeans during the summer, in an effort to cling on to market share.

Its stepped-up promotional programme resulted in a same-store sales rise of 7 per cent during the third quarter, and one of 5 per cent in the nine-month period.

With the total number of stores operated by the company rising to 1,295 by the end of the third quarter, compared with 1,201 a year earlier, The Gap's sales were $827.2m, up from $702m in the latest three months.

For the nine months, sales advanced to $2.03bn, against $1.72bn last time.

The Gap's shares have fallen sharply this year after the heady gains scored in 1991.

However, having feared the worst, analysts seemed reassured that The Gap's management's commitment to protecting market share was paying off.

Boardroom coup ousts president of ailing Sanyo

By Charles Leadbeater in Tokyo

MR SATOSHI Iue, president of Sanyo, the ailing Japanese electronics company and the closest Japanese business acquaintance of US President-elect Bill Clinton, yesterday fell victim to a rare boardroom coup.

Mr Iue is to become the group's chairman responsible for supervising the group's overall business, while his successor as president, Mr Yasuaki Takano, will concentrate on implementing a wide-ranging restructuring programme at its main electronics businesses.

Mr Iue formed a close relationship with the incoming US president after Sanyo became the first Japanese company to invest in Mr Clinton's state of Arkansas. The Clintons have stayed at Mr Iue's home when visiting Japan. On their most recent visit, Mr Iue guided them on a late-night tour of karaoke bars in Osaka.

One measure of the scale of the crisis gripping Sanyo is the speed with which the senior management changes are taking place. Mr Iue will step down from the presidency on December 1. While Sanyo said he would act as a chief executive supervising all the group's businesses, the chairman's role is regarded as largely honorific in most companies.

Sanyo said it would launch a restructuring programme next month to give more responsibility to each of its business sectors. The group has been hit by the downturn in consumer demand and a slump in its industrial equipment business.

Analysts expect Sanyo to incur an operating loss of Y10bn ($81.3m) in the year to November, against operating profits of Y11.2bn a year earlier.

It has introduced pay cuts of up to 20 per cent for executives and reduced bonuses for other staff. About 350 staff are being transferred from its Osaka head office to sales and marketing departments.

Mr Iue is being replaced by Mr Yasuaki Takano, 61, Sanyo's vice president since 1986.

Slow growth in telephone traffic hits KDD returns

By Charles Leadbeater

THE slowest growth in international telephone traffic from Japan for almost 35 years was the main factor behind a 5.1 per cent drop in half-year pre-tax profits at Kokusai Denshin Denwa, the Japanese international telecommunications group known as KDD.

The company's pre-tax profits for the six months to September were Y13.2bn ($107m), about 5.1 per cent down on the same period last year.

KDD executives said the fall in profits was due largely to extremely slow growth in telephone traffic from Japan, a reflection of the slowdown in the economy.

The depression in the Japanese financial services sector, which has been cutting back on its overseas activities to reduce costs, is thought to be one factor behind the fall in call volumes.

KDD said international call volumes were just 1.6 per cent up on last year, the worst rate of growth since there was a 4.3 per cent decline in 1958.

The company's overall sales in the first half of the year were 2.8 per cent up at Y120.2bn. Income from its main telephone business fell 2.3 per cent, largely because of the much slower growth in call volumes and a switch to cheaper rate calls.

For the year as a whole, KDD expects cost-cutting measures to allow it to make a pre-tax profit of about Y26bn, unchanged from last year on a 0.6 per cent increase in sales to Y243bn.

Japanese petrochemical producers post declines

By Charles Leadbeater

MITSUBISHI Petrochemicals and Mitsui Petrochemicals, two of Japan's leading petrochemicals producers, yesterday reported sharp falls in profits as a result of the sustained downturn in the Japanese economy.

Mitsubishi Petrochemicals, Japan's largest petrochemicals producer, reported a 69.2 per cent drop in pre-tax profits to Y6bn ($48.7m) in the six months to the end of September.

The company's sales were 10.4 per cent down at Y187bn. A fall in demand from industrial customers was compounded by an average 13 per cent fall in prices.

About 41 per cent of Mitsubishi Petrochemicals sales come from bulk chemicals, such as plastics. It is Japan's largest producer of polystyrene and polyethylene.

At the peak of the recent boom in the Japanese economy, Mitsubishi Petrochemicals made a record annual pre-tax profit of Y54bn for 1989-90.

The company said sales of phenol fell by 15.5 per cent from the first half of last year, while resin sales were 6.7 per cent down and sales of special-use chemicals were 2.1 per cent down.

The sales downturn has made it harder for the company to cover the higher depreciation cost of its investment in new facilities, such as the Kashima ethylene plant, which is operating well below capacity.

Mitsubishi Petrochemicals is forecasting a Y15bn pre-tax profit for the year as a whole, about 50 per cent down on last year on sales of 390bn down 4.2 per cent.

Mitsui Petrochemicals reported a 54.4 per cent drop in pre-tax profits to Y3.6bn in the first half of the year.

Mitsui Petrochemicals, which exports about 16 per cent of its output, said it had managed to contain the fall in its sales to 4.8 per cent largely through increasing exports.

It said its domestic prices fell by 10 per cent.

Dark days at Hong Kong's Hutchison

Simon Holberton examines reasons for a decline in the company's esteem

THESE are dark days for Hutchison Whampoa, Hong Kong's oldest company and one which, until recently, could hold its own with the likes of Swire and Jardine Matheson.

Hutchison has been in the doldrums for the past 18 months.

Its share price has underperformed the local stock market by 30 per cent – a poor performance which has been aggravated by a constant stream of bad news about its 49 per cent owned Canadian energy company, Husky Oil, and more latterly by the poor prospects for near-term returns on its investment in UK telecommunications.

Hutchison has done nothing to make matters better. It produces one of the most opaque balance sheets of any important company in Hong Kong. Its senior executives have been in purdah since the summer, giving interviews only to a tame local media and avoiding stock analysts altogether.

Little wonder, then, that two leading securities houses have recently produced reports on the company which project profit growth within a narrow margin of each other but which come to completely different conclusions about Hutchison's prospects.

Warburg Securities – which has a "sell" recommendation on the stock – estimated in a recent report on the company that the combined effect of Hutchison's foray into Canadian energy and UK telecommunications would, over the period 1988 to 1995, cost shareholders HK$4.5bn (calculated in 1992 dollars) in profits foregone. It forecasts profits this year of around HK$2.5bn (US$323m), rising in 1993 to HK$5.25bn.

Crédit Lyonnais – which recommends buying the stock – estimates profits this year of HK$2.87bn, rising next year to HK$5.5bn. Its view of Hutchison's telecommunications venture in the UK is that it is risky, but that rewards are large and will safeguard its future into the next century. Unlike Warburg, it thinks Hutchison could pull it off.

To date, the market seems to be inclining to the Warburg view. A report last month that Hutchison has decided at a board meeting to pull out of its UK telecommunications venture saw strong buying of the stock. Two subsequent denials of a pull-out by Hutchison have not convinced the market; it expects the company to announce it has sold its UK telecommunications business by the late spring of next year.

This view has been strengthened by the actions of Hutchison itself. The head office staff of Hutchison Telecoms has been cut from 45 to 40. The company's plans for expansion in India, Bangladesh, Taiwan and South Korea have been shelved, and it has pulled out of the race to introduce personal communications networks (PCN) in Australia and Germany.

A survey of fund managers published last month revealed the extent of Hutchison's decline in the esteem of investors. Hutchison has slipped sharply since 1991 in a field of Hong Kong companies, in terms of quality of management and in financial soundness.

Simon Murray: believed to be on way out?

Li Ka-shing (chairman): admits Hutchison has its problems

At present, it is clear that the board of Hutchison is seriously divided, although there are signs that a management reshuffle is in the offing.

Evidence of senior management division comes from the company's two most senior executives – the wily Mr Li Ka-shing, its chairman, and Mr Simon Murray, Hutchison's usually chipper managing director. They seem unable to tell the same story to the investing public about the company's business prospects, especially its UK telecoms operations.

In the summer, Mr Murray was saying the UK telecommunications market was buoyant and that prospects for Hutchison "excellent". In June, Mr Li attributed the company's cut in dividend to the need to preserve cash in view of the UK business's funding requirements – more than HK$7bn over the next few years – and forecast losses in the UK.

In a recent newspaper interview, Mr Li said that for the past few months he had been spending 70 to 80 per cent of his time on Hutchison. He called on investors to be patient "because, frankly speaking, Hutchison has a few problems".

The market, being the market, knows the outcome of any friction between Mr Li and Mr Murray. If talk doing the rounds in the colony's financial community is true, and few doubt it is, then Mr Murray is on the way out and Mr Richard Siemens, the head of Hutchison Telecommunications, could be soon following him.

Face will, however, be saved. If Mr Murray goes – and the market is speculating that it could be as early as the new year – then Mr Li – whose flagship, Cheung Kong, owns 40 per cent of Hutchison – is likely to soften the blow by investing in Mr Murray's new business venture.

Whatever Mr Murray's future holds, analysts say that Hutchison is undergoing a change in strategic direction. This will see greater emphasis placed in the company's Hong Kong operations and its investments in China, the latest example of which is its joint-venture with Shanghai's Port Authority to develop a container port for the city.

The company is also gearing up to develop property on the mainland and to participate in telecommunications developments in China.

While investors would welcome Hutchison's retreat from overseas investments and its reorientation towards China, one large concern still remains. If Mr Murray is not going to head Hutchison and foreigners are out of favour at the company, who is in?

The appointment in August of Mr Richard Li, Mr Li Ka-shing's 25-year-old son, as an executive director of Hutchison has caused anxiety in investment circles. This was heightened when Mr Li said in the recent interview: "One day I hope that my boys [his other son, Victor, is managing director of Cheung Kong] and the team of people can run the businesses themselves."

Mr Richard Li is seen as being too young to run a company of the complexity of Hutchison.

Halla plans vehicle production

HALLA Engineering and Heavy Industries, the South Korean group, is seeking government permission to join the nation's highly competitive vehicle industry, Reuter reports from Seoul.

"We plan to submit the application to the government for the production of commercial vehicles next week," the company said.

Halla plans to invest Won55bn ($70.6m) to produce about 12 kinds of large commercial vehicles such as cement mixers, dump trucks and fork-lift trucks at an annual rate of 5,000 units, beginning in 1993 or in 1994. It plans to import technology from Iveco Fiat of Italy to produce the vehicles of 11 tonnes or more.

In 1990, Halla tried and failed to win government approval to enter the vehicle market.

The deal between Halla and Iveco Fiat is expected to last for five years after the government gives its approval.

Samsung Heavy Industries (SHI), a part of the nation's largest conglomerate Samsung Group, won government approval in July to produce commercial vehicles in technical co-operation with Nissan Diesel Motor of Japan.

Halla Engineering and Heavy Industries is a unit of The Halla Group, founded by Mr Chung In-yung, younger brother of Hyundai Group ex-chairman Mr Chung Ju-yung.

Good first half at Sankyo

By Emiko Terazono in Tokyo

SANKYO, the Japanese drugs maker, boosted its non-consolidated pre-tax profits for the first six months to September on brisk sales of its anti-cholesterol drug.

Pre-tax profits for the first six months advanced by 27.8 per cent to Y35.8bn ($291m) on a 13.1 per cent rise in sales to Y200.7bn. After-tax profits rose 2.8 per cent to Y18.5bn.

Expanding sales of Mevalotin, Sankyo's mainstay, plus insecticides helped in the company's strong performance, while sales of health drinks slumped on a fall in consumer demand.

Sankyo will raise its interim dividend to Y5 per share from Y3.75.

For the full year to March, the company forecasts a 25.4 per cent rise in pre-tax profits to Y65bn on a 8.5 per cent increase in sales.

After-tax profits are expected to rise 10.5 per cent to Y25bn.

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

1/2 hour period ending	Provisional Price for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool purchase price £/MWh	Final Prices for Trading on [illegible]: Pool selling price £/MWh
0030	20.32	17.70	17.70
0100	23.12	17.64	17.64
0130	26.67	17.70	17.70
0200	26.67	21.06	24.48
0230	23.12	21.06	24.39
0300	23.12	21.06	24.39
0330	20.69	21.09	24.41
0400	20.32	17.72	17.72
0430	18.06	17.71	17.71
0500	18.06	17.70	17.70
0530	18.06	17.70	17.70
0600	18.06	17.70	17.70
0630	20.32	17.71	17.71
0700	20.69	26.33	29.88
0730	23.56	26.64	30.24
0800	23.71	26.62	32.34
0830	24.12	26.79	32.46
0900	24.69	28.89	32.55
0930	29.37	27.30	30.99
1000	29.37	27.29	30.85
1030	29.37	27.16	30.89
1100	24.16	27.05	30.57
1130	24.66	24.84	24.84
1200	24.69	27.12	30.62
1230	24.66	27.04	30.52
1300	24.16	24.61	24.61
1330	24.16	22.08	22.03
1400	20.77	22.01	22.01
1430	20.60	22.00	22.00
1500	20.60	22.00	22.00
1530	20.60	22.00	22.00
1600	24.16	22.00	22.00
1630	28.51	24.48	24.48
1700	31.25	25.34	28.71
1730	34.35	25.34	28.70
1800	33.65	25.36	28.72
1830	29.39	26.20	29.62
1900	28.24	28.16	31.63
1930	28.21	28.17	31.81
2000	24.16	26.14	29.63
2030	23.63	25.35	28.72
2100	23.39	25.33	28.74
2130	23.33	25.33	28.79
2200	23.08	25.15	28.59
2230	20.77	22.56	25.92
2300	20.32	22.88	26.94
2330	17.72	17.74	17.74
2400	17.72	17.64	17.64

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £16.80/MWH becomes 1.680p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The calculation of pool prices is a highly complex process the product of which is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Accordingly, due to the possibility of their revision and/or correction, no reliance should be placed upon provisional pool prices for any day being the same as final pool prices for that day. Pool selling prices are also capable of revision. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Further information on pool prices is provided on behalf of the Pool by NGC Settlements Limited. Anyone wishing to receive such information should telephone 0602-455789 between 8:30am and 5:15pm Monday to Friday.

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INTERNATIONAL CAPITAL MARKETS

Gilts slide as Lamont fails to provide much support

By Sara Webb in London and Karen Zagor in New York

UK GOVERNMENT bonds closed as much as a quarter point lower on the day, as the Chancellor's Autumn Statement and base rate cut failed to provide much support for the gilt market.

The one percentage point cut in the base rate, from 8 per cent to 7 per cent, which comes into effect today, had already been priced into the short end of the market, dealers said, and left short-dated issues little changed on the day.

Earlier this week, the market had hoped for an interest rate cut of 1.5 to 2 percentage points in conjunction with the statement. Dealers said yesterday's smaller-than-expected cut was welcomed by the long end of the market, given the view that the government might have problems keeping inflation down with a two-point cut.

Overall, long-dated issues ended the day lower, as the post-Statement rally was insufficient to overcome the earlier weakness in the gilt market.

Mr Lamont's comments on the public sector borrowing requirement (PSBR) received mixed reviews. The Chancellor's forecast of a £37bn PSBR for 1992-1993 came as little surprise, as analysts calculate that the government need only raise a further £4bn in the gilt market in the remainder of the financial year.

GOVERNMENT BONDS

However, the forecast PSBR of £44bn for 1993-1994 came as a shock to the market as it implies gilt issuance of around £50bn for the year.

■ THE Bank of France cut its key interest rates yesterday morning by a quarter point, prompting a rally in the French government bond market.

Mr Michel Sapin, economics minister, said the latest cuts reflected the strength of the franc. The Bank of France cut the intervention rate from 9.35 per cent to 9.1 per cent and its five-to-10 day securities repurchase rate from 10.25 per cent to 10 per cent. The central bank last cut the key rates – also by a quarter point – on November 2.

The December bond future on the Matif exchange traded in a range of 110.86 to 111.20, but profit-taking wiped out some of the gains and the market ended slightly higher on the day.

■ THE GERMAN government bond market ended little changed as any positive impact of the French cut in interest rates was cancelled out by statements from the Bundesbank denying the need for lower German rates, dealers said.

The Liffe bund futures contract opened at 91.48 and traded at around 91.47 by late afternoon. Dealers noted stronger interest in the two to three-year area, while the long end closed slightly weaker.

Mr Otmar Issing, Bundesbank board member, told German radio that the Bundesbank saw no need for a cut in key interest rates. The Bundesbank's *Lombard* lending rate is currently 9.50 per cent and the discount rate is 8.25 per cent.

■ US TREASURY prices eased slightly yesterday morning on news of an unanticipated decline in jobless claims by 5,000 to 355,000 for the last week of October, but by midday prices had turned narrowly mixed along the the yield curve as players waited for the results of the Treasury refunding auction.

At mid-session, the Treasury's bellwether 30-year bond was $\frac{1}{16}$ lower at 95, yielding 7.672 per cent, while the two-year note was up $\frac{1}{16}$ for a yield of 4.451 per cent.

■ JAPANESE government bonds continued to rally, taking their cue from the stock market fall and speculation that the Bank of Japan will be forced to ease interest rates.

The March futures contract rose from 107.58 at the opening to a high of 107.70, as the Nikkei index fell sharply. However, as the stock market recovered its losses later in the day to close higher, the bond market fell on profit-taking.

The yield on the benchmark No 145 JGB moved from 4.62 per cent at the opening to 4.615 per cent but ended the day at 4.635 per cent.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	107.4803	+0.087	8.85	8.87	8.73
BELGIUM		8.750	06/02	104.8900	-0.160	7.99	8.02	8.32
CANADA *		8.500	04/02	103.7000	+0.050	7.93	7.84	7.77
DENMARK		9.000	11/00	102.2500	[illegible]	8.60	8.75	[illegible]
FRANCE	BTAN	8.500	03/97	101.9442	-0.038	7.93	7.95	8.72
	OAT	8.500	11/02	103.1250	+0.230	8.03	8.08	8.53
GERMANY		8.000	07/02	104.3400	-0.362	7.35	7.38	7.41
ITALY		12.000	05/02	95.5500	+0.830	13.23†	13.65	14.69
JAPAN	No 119	4.800	06/99	101.1927	[illegible]	4.56	4.60	4.72
	No 145	5.500	09/02	105.7129	-0.001	4.63	4.71	4.84
NETHERLANDS		8.250	09/02	105.0400	+0.140	7.49	7.57	7.68
SPAIN		10.300	06/02	97.9250	[illegible]	12.50	12.49	13.16
UK GILTS		10.000	11/98	110-18	-1/4	8.85	8.99	8.29
		9.750	08/02	111-07	-13/32	8.05	8.14	8.86
		9.000	10/08	104-06	+1/16	8.51	8.59	8.11
US TREASURY *		6.375	08/02	98-07	-10/32	6.91	6.85	6.50
		7.250	08/22	95-01	-2/32	7.68	7.68	7.52
ECU (French Govt)		8.500	03/02	98.6200	+0.570	8.72	8.78	8.27

London closing, *denotes New York morning session. Yields: Local market standard. † Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.) Prices: US, UK in 32nds, others in decimal. *Technical Data/ATLAS Price Sources*

FT FIXED INTEREST INDICES

	Nov 12	Nov 11	Nov 10	Nov 9	Nov 6	Year ago	High *	Low *
Govt Secs (UK)	95.34	95.54	95.46	95.39	95.01	88.90	95.54	85.11
Fixed Interest	110.26	110.03	109.97	109.68	109.14	98.54	110.26	97.18

Basis 100: Government Securities 15/10/26; Fixed Interest 1928. * for 1992. Government Securities high since compilation: 127.40 (9/1/35), low 49.18 (3/1/75). Fixed Interest high since compilation: 110.26 (12/11/92), low 50.53 (3/1/75)

GILT EDGED ACTIVITY

Indices*	Nov 11	Nov 10	Nov 9	Nov 6	Nov 5
Gilt Edged Bargains	296.3	302.6	277.6	249.2	226.6
5-Day average	270.5	258.4	249.3	244.0	247.9

* SE activity indices rebased 1974

Foreign banks' claims on Latin America fall 23%

By Richard Waters

THE AMOUNT owed by the eight biggest Latin American countries to their foreign bank creditors has fallen by around a quarter since the mid-1980s as a result of debt reduction, buy-back and conversion policies.

In a report published today the Bank for International Settlements, the grouping of central banks from the leading industrial countries, reports that foreign banks' claims on these countries fell by $57bn, or 23 per cent, in the five years to the end of 1991.

"The multiplication of instruments and techniques aimed at reducing existing exposures was a major factor contributing to the decline in banks' claims after 1985," it says. Debt conversions and buy-backs became common in 1987-1988, while debt reduction has followed more recently from the Brady initiative of 1989.

This process has left the eight – Argentina, Brazil, Chile, Colombia, Mexico, Peru, Uruguay and Venezuela – with debts to foreign banks which account for only 52 per cent of their total foreign debts, down by nearly 20 percentage points from the end of 1983 – in part a result of the upsurge of securities from Latin American issuers on the international markets.

The debt reduction has not been evenly spread across all bank creditors. In 1983, European banks were owed 33 per cent of the outstanding claims. By the end of last year, that had jumped to 44 per cent. The reason, according to BIS figures, is a reduction in the exposures of US banks, whose share of claims on the region dropped from 40 per cent to 28 per cent over the same period.

This largely reflects a reduction in claims of regional and smaller banks in the US. The BIS also notes that UK banks "cut back their exposure markedly, whereas most other banking groups maintained their outstanding positions".

While bank exposure to the region has shrunk, portfolio investors have committed substantial sums – around $25bn in 1991, the BIS says. These have tended to take the form of longer-term borrowings or the sale of equity.

"From the wider international financial system, such sounder forms of capital inflow also imply less risk of systemic weakness of the kind which suddenly emerged in 1982," the BIS says.

Swedish issue takes advantage of buoyant conditions

By Brian Bollen

THE FIRST sterling issue from Sweden since 1988 was by far the most glamorous of yesterday's stream of deals in the international bonds market.

The speed with which the £600m five-year paper sold out underlined again the demand for quality Eurosterling assets and the lack of sovereign and supranational paper in the currency, said traders. Launched at £500m, it was quickly increased.

The kingdom's bond is the largest single sterling Eurobond yet seen, and provides a much needed new benchmark in the absence of current coupon gilts. Traders agreed that with a launch spread of 45 basis points over comparable gilts it was correctly priced for a large issue, particularly in the light of the country's continuing heavy borrowing programme.

Lead managers UBS Phillips & Drew and S. G. Warburg Securities said the issue was timed to take advantage of buoyant market conditions in the narrow window prior to the UK's Autumn Statement. Mr Staffan Crona, director general of the Swedish National Debt Office, said: "We have big borrowing needs and not many issuing possibilities remain before Christmas."

The issue continues the second phase of the emergency borrowing programme drawn up by Sweden to raise a total of Ecu31bn after the late summer currency crises. Like the earlier DM2.5bn and FFr6bn bonds, proceeds will go directly into foreign currency reserves.

INTERNATIONAL BONDS

Mr Thomas Kranzen, a deputy governor of the Riksbank, Sweden's central bank, said the latest published figures showed the reserves standing at SKr176.9bn in the first week of November, compared with the low point of SKr95.2bn at the start of September.

Sweden still needs to borrow a further Ecu10bn under the second phase, to meet its target of Ecu15bn, but Mr Crona says the timetable for meeting that target is more relaxed now that the reserves have been rebuilt and the programme can extend into next year.

Commenting on market rumours that Sweden will make a large borrowing in US dollars before the end of the year, Mr Crona would not rule this out. "We are discussing different alternatives with the banks," he said. The dollar alternatives include floating rate notes, straight Eurobonds and global issues.

Sweden's official forecast remains that it will not need to raise new foreign borrowings beyond the Ecu15bn, although it will refinance some maturing foreign debt. It plans to tap the domestic market to meet its other needs.

There are conflicting views on where the sterling market is heading after the Autumn Statement. Some feel it could continue to perform well over the next few weeks. Others argue that it will be adversely affected by the UK's growing public sector borrowing requirement.

Almost eclipsed by Sweden, KfW International Finance's DM1.5bn five-year bond duly emerged with a launch spread of 22 basis points over German government bonds.

The European Investment Bank followed the success of its £200m issue with two other bonds, one for SFr200m over five years at 6 per cent through Swiss Volksbank, the other for $120m over four years at 5⅝ per cent through Credit Suisse First Boston.

Wood Gundy launched two coupon-driven retail-targetted C$100m deals, for Communauté de Montreal and Caisse Centrale Desjardins du Quebec.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
European Inv.Bank	120	5.75	99.91	1996	20/10bp	CSFB
Citi Investments(a)	50	9.5	101.177	1993	¾/⅜%	Citicorp Inv.Bank
D-MARKS						
KfW Int.Finance Inc.	1.5bn	7.25	101.51	1997	2/1¼%	Deutsche Bank
Kikuchi Color & Chem.(b)☆☆	25	(b)	100	1997	-	DKB(Deutsch.)
Sasaki Electric Corp.(b)☆☆	20	(b)	100	1997	-	Sakura Bk(Deutsch.)
STERLING						
Kingdom of Sweden	600	7.5	99.85	1997	25/12.5bp	UBS P&D/SG Warburg
FRENCH FRANCS						
CNCA(c)	1bn	8.25	100.895	1995	1⅛/0.775%	CNCA
BSN(d)	500	8.5	101.95	1999	1⅞/1¼%	Crédit Lyonnais
Crédit Local de France(e)‡	600	(e)	101.65	1999	2%	CCF
CANADIAN DOLLARS						
CCDQ(f)	100	8	100.575	1997	1⅝/1.575%	Wood Gundy Inc.
Commun.Urbaine de Montreal	100	9	100.825	2002	2/1⅛%	Wood Gundy Inc.
SWISS FRANCS						
European Inv.Bank	200	6	102	1999	-	Swiss Volksbank
IKB-Deutsche Industriebank	100	6.625	101.75	2005	-	Swiss Volksbank

Final terms and non-callable unless stated. ☆☆Private placement. ‡Floating rate note. a) Coupon payable semi-annually. b) Coupon pays 40bp above 6-month Libor. c) Full name of borrower and bookrunner: "Caisse Nationale de Crédit Agricole". d) Issue launched on 29/10/92 is increased to FFr1.5bn. e) Coupon pays fixed annual 9% for first year and 30.25% minus 6-month Pibor thereafter. f) Full name of borrower is: "La Caisse Centrale Desjardins du Quebec".

Japanese banks step up pace of international withdrawal

By Richard Waters

THE PACE of Japanese banks' withdrawal from the international banking market accelerated in the second quarter of this year, according to the BIS.

The $53bn reduction in their international banking assets – largely accounted for by a continuing fall-off in inter-bank lending – was the greatest ever recorded, leaving them with less than 30 per cent of all international banking assets for the first time since 1986.

Largely as a result, the international banking system generated only $15bn of net new credit in the second quarter, half what it had managed in the first three months.

This reversed what had been a gradual acceleration of international bank lending since early in 1991, when the BIS had recorded the first-ever fall in international banking activity.

This overall stagnant picture masked some sharp rises in international assets by European banks.

Those of German banks jumped by $39bn, while French banks added $31bn and those in Switzerland and the Benelux countries accounted for an extra $30bn.

International Banking and Financial Market Developments, November 1992, BIS, Basle.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:05 pm on November 12

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield	OTHER STRAIGHTS	Issued	Bid	Offer	Chg. day	Yield
ABN 9 1/8 96	200	106¼	107	[illegible]	5.20	ARBED 7 1/2 95 LFr	600	96¼	97¼		9.11
ALBERTA PROVINCE 9 3/8 95	600	109⅞	110¼	[illegible]	5.69	ECSC 7 3/4 94 LFr	1000	99¼	100¼		8.21
AUSTRIA 8 1/2 00	400	107⅞	108¼	[illegible]	7.08	WORLD BANK 8 96 LFr	1000	99¾	100¼		8.05
[illegible]						[illegible]					

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	16	57	6
Other Fixed Interest	2	1	12
Commercial, Industrial	378	187	855
Financial & Property	297	64	442
Oil & Gas	12	20	52
Plantations	0	0	9
Mines	17	31	97
Others	45	29	34
Totals	767	389	1,507

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+or-	Net Div.	Times Cov'd.	Gross Yield	P/E Ratio
[illegible]											

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price £	+or-
[illegible]							

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1992 High	1992 Low	Stock	Closing Price p	+or-
[illegible]							
150	Nil	23/11	80pm	48pm	Kleenocell	49pm	
25	Nil	1/3	6pm	2pm	Property Trust	2½pm	

a Annualised dividend. b Figures based on prospectus estimates. g Assumed dividend and yield. q Earnings based on preliminary figures. u Forecast or estimated annualised dividend rate, cover based on previous year's earnings. x Ex-dividend. F Dividend and yield based on prospectus or other official estimates for 1992-93. H Dividend and yield based on prospectus or other official estimates for 1993. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1992. Q Gross. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures. ♦ Issued by way of rights. † Introduction. § Placing price. †† Reintroduction. ♦ Unlisted securities market. ♦ Issued in connection with reorganisation, merger or takeover. pm Price at a premium.

TRADITIONAL OPTIONS

- First Dealings Nov. 9
- Last Dealings Nov. 20
- Last Declarations Feb. 11
- For settlement Feb. 22

3-month call rate indications are shown in Saturday editions.

Calls in Aitken Hume, ASDA, Avesco, Barcom, City of Oxford Inv., Gartmore Value, Morrison (Wm), NSM, Ratners, Rhino, Rolls-Royce, Scottish Hydro-Elect., Scottish Power, Telemetrix, and Vizcaya. Put in Aitken Hume, Barcom, NSM, Vickers and Vizcaya.

FT-SE ACTUARIES INDICES

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices and the FT-SE Actuaries Industry Baskets are calculated by The International Stock Exchange of the United Kingdom and Republic of Ireland Limited.

The FT-Actuaries All-Share Index is calculated by The Financial Times Limited in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

The FT-SE 100, FT-SE Mid 250 and FT-SE Actuaries 350 indices, the FT-SE Actuaries Industry Baskets and the FT-Actuaries All-Share Index are members of the FT-SE Actuaries Share Indices series which are calculated in accordance with a standard set of ground rules established by The Financial Times Limited and London Stock Exchange in conjunction with the Institute of Actuaries and the Faculty of Actuaries.

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LIFFE EQUITY OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*633)	600	50	64	75	17	25	37
	650	23	37	49	42	50	63
[illegible]							

Option		Calls Nov	Calls Feb	Calls May	Puts Nov	Puts Feb	Puts May
BAA (*750)	750	14	42	60	17	36	43
	800	2	20	38	57	65	72
[illegible]							
Brit Aero (*135)	130	15	27	31	8	18	27
	140	10	22	27	12	24	33
Eurotunnel (*352)	330	40	58	68	11	22	29
	360	20	37	52	25	40	44

Option		Calls Dec	Calls Mar	Calls Jun	Puts Dec	Puts Mar	Puts Jun
Glaxo (*815)	800	49	75	97	24	48	59
	850	25	51	72	52	73	85
[illegible]							

*Underlying security price. † Long dated expiry months. Premiums shown are based on closing offer prices.

FT-ACTUARIES FIXED INTEREST INDICES

PRICE INDICES

		Thu Nov 12	Day's change %	Wed Nov 11	Accrued Interest	xd adj. 1992 to date
	British Government					
1	Up to 5 years (22)	129.08	-0.11	129.22	1.90	10.99
2	5-15 years (25)	147.67	-0.19	147.96	2.13	11.85
3	Over 15 years (8)	154.54	+0.09	154.40	2.35	10.57
4	Irredeemables (6)	173.08	-0.45	173.87	0.51	13.45
5	All stocks (61)	143.76	-0.13	143.95	2.08	11.64
	Index-Linked					
6	Up to 5 years (2)	104.69	-0.03	104.74	0.46	3.68
7	Over 5 years (10)	169.16	-0.07	169.27	1.01	4.04
8	All stocks (12)	170.05	-0.06	170.16	0.94	3.96
9	Debs & Loans (62)	124.73	+0.05	124.67	2.25	10.48

AVERAGE GROSS REDEMPTION YIELDS

			Thu Nov 12	Wed Nov 11	Year ago (approx.)
	British Government				
1	Low	5 years	6.87	6.82	8.45
2	Coupons	15 years	8.06	8.08	9.44
3	(0%-7¾%)	20 years	8.34	8.35	9.44
4	Medium	5 years	7.17	7.11	9.64
5	Coupons	15 years	8.48	8.47	9.54
6	(8%-10¾%)	20 years	8.71	8.72	9.51
7	High	5 years	7.42	7.36	9.85
8	Coupons	15 years	8.76	8.76	9.62
9	(11%-)	20 years	8.88	8.87	9.56
10	Irredeemables (Flat Yield)		8.73	8.69	9.66
	Index-Linked				
11	Inflation rate 5%	Up to 5yrs.	2.26	2.25	3.79
12	Inflation rate 5%	Over 5 yrs.	3.68	3.68	4.23
13	Inflation rate 10%	Up to 5yrs.	1.52	1.51	3.21
14	Inflation rate 10%	Over 5 yrs.	3.52	3.51	4.07
15	Debs &	5 years†	-	8.62	11.28
16	Loans	15 years	9.68	9.68	11.12
17		25 years	9.93	9.93	10.95

† Data Unavailable.

Sterling devaluation bolsters Anglo/Dutch oil group's third quarter performance

Shell Transport up 58% to £824m

By Neil Buckley

LARGE CURRENCY gains after the devaluation of sterling helped Royal Dutch/Shell Group, the Anglo-Dutch oil group, increase its third quarter profits by 58 per cent to £824m.

The profits increase on a replacement cost basis, which strips out the effect of stockholding gains and losses, was higher than analysts' forecasts and the share price rose 12p to 549p.

However, net income on a historic cost basis showed a slightly smaller increase of 38 per cent to £783m.

Despite the strong third quarter, replacement cost profits for the first nine months of 1992 were down slightly at £2.26bn (£2.4bn).

Sir Peter Holmes, chairman, said fourth quarter earnings were expected to benefit from a seasonal increase in natural gas sales, and higher oil production after the completion of North Sea maintenance programmes.

He admitted that foreign currency earnings were higher than expected at £196m compared with £67m currency losses in the third quarter of 1991 when sterling appreciated against the dollar. Tax benefits and related interest contributed a further £80m.

"The figures are littered with exceptional items, both credits and debits, but the underlying performance was pretty much as we expected," said Mr Nick Clayton, analyst at Smith New Court.

Mr Clayton said an 18 per cent reduction in capital expenditure might be evidence of strict discipline on spending, but did not reflect any reduction in Shell's ability to spend. Surplus cashflow allowed the company to pay off £750m during the third quarter and reduce gearing to 5 per cent.

Third quarter turnover was down slightly from £18.94bn to £17.72bn, but earnings from exploration and production beat expectations at £389m (£316m). Results were boosted by higher crude oil and natural gas prices, and production was slightly higher at 2.11m barrels a day.

However, the refining and marketing division suffered a £65m fall in earnings to £303m. Analysts said the decline was not as large as had been feared, with continued pressures on refining margins offset by a better performance from marketing.

Further deterioration in the petrochemicals market thanks to weak economic conditions was blamed for the chemical division's slide into a £40m loss (profit £12m).

The coal and metals divisions also recorded losses compared with small profits last year.

Earnings per share rose to 8.1p from a restated 5.9p.

COMMENT

Even without the currency gains and other credits, these results underline Shell's strength. Fourth quarter earnings should benefit from higher natural gas sales and a higher sterling oil price, with the dollar's strength against the pound more than offsetting the recent slide in dollar crude prices. But the downturn in refining, marketing and chemicals is likely to continue, and Shell is expected to make a provision of £400m-£450m to comply with the US Financial Accounting Standards Board's statement 106, which requires companies to show their future healthcare obligations to retirees, rather than what they are actually paying out in any given year. However, Shell should still outperform the market on earnings and dividend growth over the medium term, and is seen as a good devaluation hedge as the link with Royal Dutch means that as sterling weakens against the guilder, the dividend rises to compensate.


Trevor Humphries
Sir Peter Holmes: fourth quarter earnings were expected to benefit from seasonal increases in natural gas sales

Second half lifts Burton to £9.4m

By Peggy Hollinger

SHARES IN Burton Group jumped 25 per cent to 55p yesterday as the fashion retailer announced a return to the black with pre-tax profits of £9.4m for the year to August 29 and maintained its final dividend.

The profits, which compared with a loss of £13.4m last time, were struck on turnover 6 per cent higher at £1.76bn and were helped by the absence of last year's £24.6m exceptional reorganisation costs.

Nevertheless, analysts said the results were much better than expected, especially with the welcome decision to change the accounting treatment of the property development portfolio. The £4.2m in property holding costs – net of rents received – were included above the line for the first time.

Mr John Hoerner, who became chief executive in February, said there was much work yet to be done to improve the company's performance. Trading profits before exceptionals had declined from £46.2m to £35.3m, with £3m of the decline due to the sale of Harvey Nichols. "No one is kidding themselves that this is a wonderful performance, because it isn't."

At the interim stage profits halved to £2.2m. However, the group was encouraged by the substantial progress of the second half. The final pay-out was maintained at 1p, for a lower full-year total of 2p (2.7p). Earnings per share were 0.8p against losses of 2p.

The year had been "a story of two halves," Mr Hoerner said. "In the second half, very cautiously and very quietly, we have turned the corner."

During the latter part of the year, Burtons moved from a trading loss of £17.4m to profits of £2.7m. Sales in the second half improved by 14 per *cent to £830m, with same* space sales 15 per cent ahead.

The improvement was partly due to a significant restocking. The board also decided not to be beaten on prices, which contributed to a fall in gross margins from 2.8 per cent to 2 per cent. However, market share improved to more than 12 per cent (11 per cent).

The best performance came from Debenhams, with trading profits of £31.1m, and Dorothy Perkins, the women's wear retailer. The multiples business was hit by disappointing performances from Principles and Burton men's wear.

COMMENT

Mr Hoerner has done much in this set of results to dispel the shadows of recent years. However, it must be noted that 1990-91 had been an appallingly bad year and the achievement compared with "a very easy base" in the words of one analyst. The road to real recovery is sure be long and hard before profits are anything like respectable for a company with almost £2bn in sales. The good news is that Mr Hoerner is under no illusions about this and he appears to be doing all the right things. The question now is whether the gains will be short or long-term. Many potential investors will be watching the interims with more than ordinary interest before plunging in. Forecasts are for £25m next year. The p/e of 32, based on an uncertain tax charge of 25 per cent, might look expensive at the moment. However, the yield could attract investors in the short term.

Northumbrian Water shows 25% advance

By Bronwen Maddox, Environment Correspondent

INVESTMENT PROFITS and rises in water charges allowed Northumbrian Water to lift half-year pre-tax profits by 25 per cent, from £31.3m to £39.2m, despite rising debt and the impact of recession on recent acquisitions.

Profit included a one-off gain of £7.3m from the maturity of its equities portfolio. That helped push earnings per share up by 27 per cent to 56.7p (44.8p), allowing the interim dividend to rise to 7.5p (6.8p).

Mr Michael Taylor, finance director, said the recession had been "noticeable" in the north-east of England but although commercial demand for treated water had fallen by about 3 per cent in the six months to September 30, this category accounted for only a small part of revenue.

Turnover from the core regulated water and sewerage businesses rose to £93.4m (£84.4m) after a 10 per cent rise in water charges, allowing operating profit to rise by 29 per cent to £27.3m (£21.2m).

Turnover in non-regulated water businesses – the Keilder reservoir and the supply of untreated water to industry – rose to £11.5m (£10.5m) following an increase in charges, but operating profits were squeezed to £3.5m (£3.6m).

Other turnover rose to £18.6m (£3.1m), mainly from acquisitions of water services and leasing companies. They were hard hit by recession and operating profit rose only to £3.4m (£2.3m).

Associated companies – the joint venture bid to open a new sewage sludge treatment plant – again cost £100,000. The Department of the Environment has turned down the project's appeal and the group will now have to investigate incineration schemes.

Net interest payable was £3.5m, compared to £3.2m receivable. *Capital expenditure* of £52m and acquisitions of £7m in the first half took net debt to £54.4m, compared to £85.8m cash in September 1991 and £6.1m net cash in March 1992.


Sir Michael Straker: welcomed recent agreement with Ofwat

Sir Michael Straker, chairman, said that he welcomed the stability given by the recent agreement with Ofwat, the water industry regulator, to allow increases in charges of 6 per cent above inflation in 1993-4 and of 7 per cent the following year.

COMMENT

The eye-catching increase in pre-tax profits owes even more to Northumbrian's investment fund than to its core businesses. That fund is now wound up, net cash has become net debt, and growing interest bills will begin to restrain profits growth. The group's attractions remain its larger than average non-regulated businesses and high dividend cover. But if the National Rivers Authority chooses to take a stringent interpretation of the EC Urban Waste Water Directive that could double the annual capital spending bill. That uncertainty, the likeli*hood of tighter regulation after* Ofwat's 1994 industry review, and the strong performance of the shares so far this year may mean that short term performance is dull.

Reduced losses at 600 Group

By Peter Pearse

HELPED BY a pension credit of £846,000, the 600 Group, the machine tool and mechanical handling equipment company, sharply reduced its pre-tax losses from £2.32m to just £97,000 in the six months to September 30.

Mr Simon Powell, group finance director, said that the capital goods sector had seen little glimmer of any upturn except for "the odd sign in small ticket stuff". Although turnover eased to £49.4m (£50.7m) the company made trading profits of £489,000 (losses £1.18m).

Losses per share were cut from 5.1p to 1.1p but the interim dividend is maintained at 1p with a £1.11m (£3.28m) transfer from reserves.

Within the machine tool division, Colchester Lathe has now been amalgamated with TS Harrison, with the former's site being sold to Tesco for £12m net. Borrowings were paid down (giving the lower interest), but have since risen with relocation and redundancy costs. Gearing rose from 12 per cent at the March year-end to 20 per cent at September 30 but is expected by Mr Powell to reduce in the second half.

Mr Powell said that for the first time in over two years orders received were exceeding sales. About 60 to 65 per cent of total sales go for export. Sir Jeffrey Benson, chairman, said that benefits were beginning to show from the previously implemented cost controls, restructuring and new product policy.

Mr Powell said that in the half 234 jobs had been shed bringing the group total to 1,653. He said that two years ago the figure had been 2,800 and that virtually all the job losses had been in the UK.

MTM nets £4m from disposals

By Richard Gourlay

MTM, the fine chemicals company which suffered a share price collapse earlier this year, has sold four businesses for £4.3m.

MTM, which reported a £20m interim loss in September, said it was still talking to its bankers and advisers about a restructuring which could entail a rescue rights issue.

It is negotiating the sale of two other businesses, which it hoped would raise about £20m.

The businesses sold were Loba Feinchemie and Farcham Laboratories, Lancare cleaning products and Collag Corp.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
Appleby W'ward §	int	3.2	Jan 4	3	-	8.8
Bank of Ireland	int	3.33♣	Dec 11	3.33	-	9.17
Boots	int	4.6	Feb 5	4.3	-	12.4
BT	int	6.15	Feb 15	5.7	-	14.4
Burton	fin	1	Feb 26	1.7	2	2.7
Drayton Asia Tst	fin	0.7	Jan 4	0.7	0.7	0.7
Euromoney	fin	21.5	Jan 25	16	29.5	22.5
FKI	int	1.2	Jan 25	1	-	2.3
General Cons Inv	int	3.36☆	Dec 31	3.36	-	10.41
McLeod Russel	fin	3.25	Jan 14	3.1	6	5.85
Molyneux Ests §	fin	nil	-	0.5	nil	0.5
Northumbrian Water	int	7.5	March 1	6.8	-	20.5
Plysu	int	2	Feb 4	1.85	-	6
Portsmouth Sund	int	2.84	Dec 18	2.73	-	8.6
Rexmore	int	0.7	Jan 22	0.7	-	1.75
600 Group	int	1	Jan 15	1	-	2.5
Staveley Inds	int	2.3	Jan 5	2.3	-	8.2
Waddington (J)	int	3.6	Jan 14	3.6	-	7.9
Warner Howard	int	2.12	Jan 11	1.925	-	5.9

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock. ♣Irish currency. ☆Second interim.

Rental strength lifts Warner Howard 9%

By Matthew Curtin

THE APPEAL of renting rather than buying commercial equipment in a recession helped half-year results to August 31 at Warner Howard, the UK's leading supplier of commercial laundry equipment and warm air hand-dryers.

Warner, which earns most of its revenue from life-of-equipment rental agreements, reported a 9 per cent increase in pre-tax profit to £3.01m (£2.78m), even though turnover *rose only £130,000 to £11.2m.*

Operating profit was £3.03m compared with £2.8m. Earnings per share increased to 8.59p (8p), and a 10 per cent higher interim dividend of 2.12p (1.925p) is declared.

Mr Ernie Hazell, managing director, said Warner's higher pre-tax profit was pleasing given that revenue was flat overall. It was a reflection of the success of the group's rental business as well as cost cutting.

He said development of a rental culture and nationwide operations at its Euroelectrics subsidiary – which was a sales-driven business confined to the London area when bought by Warner two years ago – was more than compensating for poor equipment sales.

Increasing rentals at Derek Wright (Food Machinery), a beverage machines supplier, was proving harder to achieve, but sales were firm.

Hazell said Warner's rental business "acts as a buffer against the recession". In hard times, there was a dearth of *alternative financing facilities* as businesses' capital spending dried up, and financing companies were reluctant to service small purchases for customers with lower credit ratings. Rental agreements therefore became increasingly attractive.

Mr Hazell said Warner's catering, laundry and hand-drier business was exposed to the leisure and construction industries, and the group would depend on a turnround in these sectors for its performance to improve sharply.

Receivers appointed at Henry Barrett

By Andrew Bolger

ADMINISTRATIVE receivers were yesterday appointed to Henry Barrett Group, the Bradford-based steel stockholding and construction company, which suspended its shares on Wednesday at 7p.

Five subsidiaries are in receivership – Westbury Tubular Structures; Don Reynolds, which makes flat-panel cladding; Potter Johnson, which fabricates steel-framed buildings; OSS Origo, a material handlings company; and HB Projects, which manages construction.

Subsidiaries not in receivership include Henry Barrett Steel Services, the stockholding side of the business; Henry Barrett Steel Buildings; and Lindpater International, the special fastenings group. The receivers – Mr Alan Griffiths, Mr Peter Flesher and Mr Geoff Gee from Grant Thornton – said all three had interested buyers and negotiations for sale were underway.

Mr Gee said the companies in receivership would continue to trade while potential buyers were sought. It was too early to tell whether redundancies would be inevitable.

The group employs 750 people, of whom 400 are based in Bradford with a further 81 in Wetherby, Yorkshire. A total of 225 employees are in subsidiaries affected by receivership.

Henry Barrett has been supported for some time by its banks, led by Barclays. It appears that the group's failure to achieve any of the disposals under negotiation, along with the gloomy trading outlook, led to the receivership.

International publishing boost for Euromoney

By Raymond Snoddy

EUROMONEY Publications, the publisher of specialist magazines, yesterday reported a 35 per cent increase in pre-tax profits to £13.8m in the year to September 30.

The company warned, however, that first-quarter revenues were likely to be down on last time because "upheavals in foreign exchange markets, Europe's political difficulties and the emerging troubles of many international banks have weakened confidence".

Euromoney, 76 per cent of which is owned by the Daily Mail and General Trust, said it achieved record results from international financial publishing, with a sharp rise in revenues from central and eastern Europe.

Euromoney said that regional magazines in Latin America and Asia also produced record results, as did energy, law and tax publishing and database and information services. Publications in the aviation and leasing sectors continued to suffer from the recession in their markets.

Operating profits rose by 47 per cent to £11.6m and earnings by 33 per cent to 44.4p a share. A final dividend of 21.5p makes a total of 29.5p (22.5p).

Since the half year Euromoney has bought four companies for a total of £1.9m, including Asia Law and Practice and Mundy Perry, publishers of a port operators' and users journal.

The best Euromoney performer was international financial publishing, with operating profit up from £6.05m to £8.78m followed by law and tax publishing up from £899,000 to £1.28m.

Clark gives Henry Moore the boot

On Sunday morning huge cranes will rumble through the Somerset village of Street to remove one of its most famous landmarks. C&J Clark, Britain's biggest shoe maker, is selling the giant Henry Moore sculpture which graces the lawns of its headquarters, writes Peggy Hollinger.

The 3½-tonne bronze sculpture, entitled Sheep Piece, is thought to have been sold for about £2m.

Although the buyer remains anonymous, it is believed that the sculpture will go abroad.

Clark intends to commission another sculpture to sit in its planned retail development behind the headquarters.

John Waddington moves ahead 18% to £7.76m

By Paul Taylor

JOHN WADDINGTON, the packaging, printing and games company, reported higher interim profits, helped by the absence of exceptional charges.

Pre-tax profits increased by 17.6 per cent to £7.76m in the 26 weeks to October 3, up from £6.59m in the corresponding period last year when profits were reduced by a £1.04m charge in exceptional costs to cover redundancy and relocation costs.

Earnings per share increased to 7p (6.12p), and the interim dividend is unchanged at 3.6p.

Despite "extremely difficult trading conditions" sales volumes increased in most businesses and margins improved in all three divisions. The margin gain was attributed to the group's capital investment programme and savings produced by last year's cost reduction programmes.

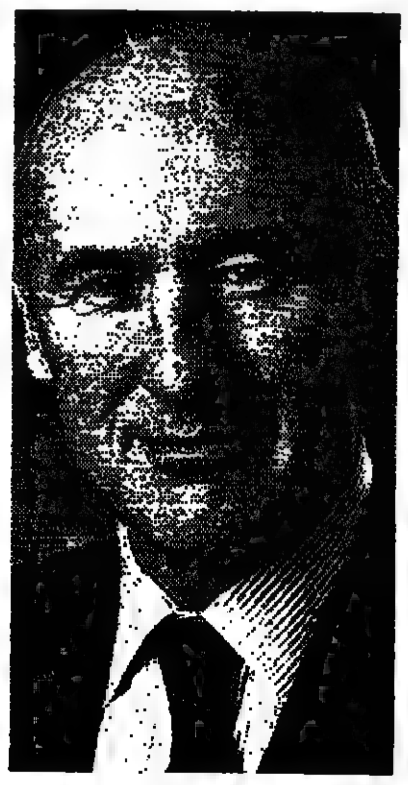
Operating profits from continuing businesses increased by 5.8 per cent to £9.48m (£8.95m) on turnover which was flat at £108m (£107.6m) reflecting weak market prices. Discontinued operations last time added £442,000 to operating profits and £7.25m to turnover.

In the packaging division operating profits increased to £5.68m (£5.44m), despite a 3 per cent decline in sales to £61.6m (£63.6m) which reflected the impact of the dollar's weakness on the group's US plastic food-services business.

Waddingtons Cartons' sales volume grew by 15 per cent, helped by significant growth in some of the company's main accounts. However, the group's label business experienced difficulties after Waddingtons of Gateshead lost a large Heinz contract, resulting in a £400,000 operating loss and the need to make further cost cuts, including redundancies.

Operating profits in the business forms and specialist printing division rose to £1.77m (£1.59m) on sales which increased to £33.9m (£32m). Waddingtons Business Forms continued to suffer the effects of overcapacity in the industry, but the group's two specialist printing companies, Chorleys and House of Questa, improved sales and profits.

The games division, responsible for some of Waddington's best-known board games, such as Cluedo and Monopoly, also performed well despite the difficult retail market trading conditions. Trading profits improved slightly to £2.02m (£1.92m) on sales marginally higher at 12.4m (£12m).


Victor Watson, chairman of the John Waddington group

FKI improves 19% to £16m

By Jane Fuller

FKI, the electrical engineering group, reversed its profits decline with a 19 per cent interim increase from £13.5m to £16m before tax.

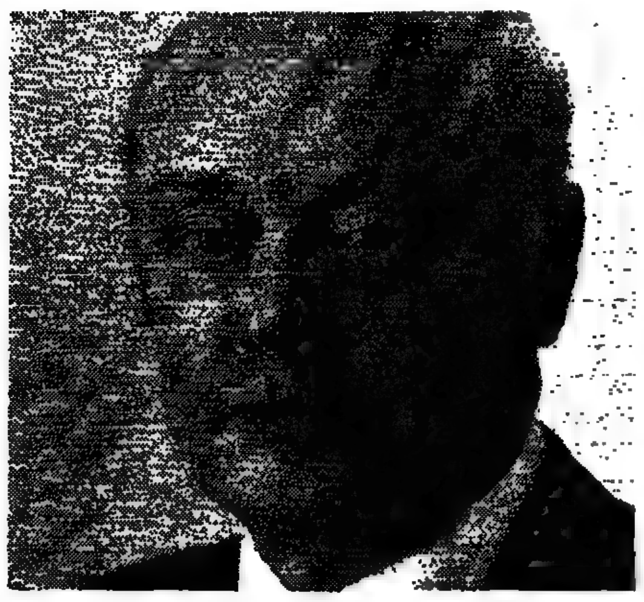
Four of its five divisions made progress and interest costs were cut.

The share price gained 6p to close at 88p, the highest level since early 1990.

A year ago FKI announced the halving of its interim pre-tax profit and dividend and the resignation of its chief executive. The board has since been strengthened by the recruitment as managing director of Mr Bob Beeston from HTR.

Turnover in the six months to September 30 fell from £371.1m to £332.2m, while operating profit reached £18.8m (£18.5m). The previous year's figures included £20.1m sales and £800,000 profit arising from different rates of exchange; 53 per cent of sales lie in North America. Ongoing businesses raised their operating profit contribution from £16.7m to £18.8m at constant exchange rates. Interest costs fell from £5m to £2.8m. Debt was cut from £60m in March to £50m in September.

Mr Beeston has set a target of getting a 10 per cent return on sales across the group. He said that an average of 9.6 per cent had been achieved at subsidiaries accounting for nearly two thirds of sales. "We have to get the rest right."


Bob Beeston: target set for a 10 per cent return on sales

Process control was the only division to go backwards with operating profit falling from £5.87m to £3.7m on sales of £82.5m (£95.6m). It included two loss-makers in computer peripherals and cutting tools.

Material handling improved profit from £3.56m to £4.54m on sales of £82m (£85.8m). Two North American loss-makers had been brought back to profit. One area of concern was British Coal's pit closure plan which could cost £8m sales next year.

Hardware, virtually all in North America, improved operating profit by 10 per cent to £7.1m in spite of adverse exchange rates on same-again sales of £62.5m.

The automotive division was returned to a £218,000 profit from a £614,000 loss on £62.8m (£66.7m) sales. It had suffered some disruption after factory closures but should experience a better second half, Mr Beeston said. Engineering, UK-based and mainly supplying niche markets, raised profit by £1m to £3.2m with the help of export growth.

Earnings per share rose to 2.65p (2.2p) and the interim dividend goes up to 1.2p (1p).

● COMMENT

Results at the top end of expectations and a welcome revival of the dividend confirmed the view that the revamped management has taken the group by the scruff of the neck. It still has its work cut out to increase operating margins from less than 6 to 10 per cent, and further refining of the group through disposals is part of the plan. The itch to acquire is also there, although the paint is still a bit wet on the new-found credibility to allow it to do anything big just yet. Signs of recovery in the US should help progress to continue. Pre-tax profit is forecast to recover from £30.5m to £37m-£38m for the full year, giving a prospective p/e of just over 14 which looks about right after a substantial re-rating this year.

Dividend windfall for McLeod Russel

By Matthew Curtin

MCLEOD RUSSEL Holdings, the paints group with interests in property and textiles, defied recession in the year to September 30 with a 17 per cent increase in profits thanks to cost cutting and a windfall dividend receipt.

Pre-tax profit climbed from £4.42m to £5.19m. Turnover was static at £43.4m, but improving margins led to an increase in operating profit to £3.64m (£3.31m).

Mr Paul Humphreys, finance director, said the group received an unexpected £480,000 dividend from a long-standing investment in Moray Petroleum, an oil exploration company. This was unlikely to recur in coming years.

The streamlining of the vehicle painting, wood stains, marine painting and paint distribution operations, with the creation of a paints division, would lead to further cost savings, he added.

Mr Humphreys said the group had net cash reserves of £10m, and was seeking a suitable acquisition to give the business "a third leg", possibly in the engineering sector.

Although sales were flat, profitability at Granyte Surface Coatings, the wood stains and lacquers offshoot, jumped 25 per cent while Kennedy Wagstaff, the textile machinery company, moved back into the black.

Earnings per share rose to 8p (6.81p); the final dividend is raised to 3.25p for a total of 6p (5.85p).

Staveley edges ahead and expects better second half

By Angus Foster

STAVELEY Industries, the measuring and mechanical engineering company which also owns British Salt, yesterday reported a slight increase in interim profits and said the second half should be stronger.

Pre-tax profits edged up from £9m in the 27 weeks to October 5 last year to £9.1m in the slightly shorter 26 week period to October 3.

Mr Brian Kent, chairman, said he expected second half gains from higher salt prices, and a return to profit at the measurement division's new German factory. But overall the mood remained cautious, he said.

Turnover increased by 5.8 per cent to £156m, helped by a stronger than expected performance from mechanical and electrical services. Orders increased by 2.5 per cent to £162m and the company said export orders, especially to China and eastern Europe, showed gains.

British Salt saw a slight fall in profits because of a shorter reporting period and a delayed 5 per cent price increase. Mr Kent said a cold winter usually added £500,000 to profits because salt was used to clear frozen pavements.

Mechanical and electrical engineering, which mainly sells to the recession affected construction industry, increased orders but margins were affected.

Mr Roy Hitchens, who joined as chief executive last month, said bad debts were not significant.

The measurement division, which includes Salter, Weigh-Tronix and Chronos Richardson, was helped by an improvement in the US market.

Interest costs fell to £100,000 (£700,000) due to low US interest rates.

The company did not reveal its level of borrowings but Mr Kent did say gearing was "in the low 20s" and would end the year "in the mid 20s" compared with 12 per cent at its last year-end.

Earnings fell to 6p (6.3p) while an unchanged dividend of 2.3p is declared.

The shares, which have risen from 162p in July, fell 8p to 207p.

● COMMENT

Staveley may be slightly disappointed that its upbeat presentation to analysts failed to lift the shares. Mounting order levels, and the company's apparent ability to weather recession in the construction industry, should have impressed. News that Germany must be nearly back to break-even was also promising. But analysts were caught off guard by a higher-than-expected rise in gearing. After the shares' recent rise, the market was probably also looking for a chance to take profits. Full-year forecasts of £25m put the shares on a p/e of 12.5, which does not look too demanding. But there are lingering concerns about the outlook for construction. And with new arrival Mr Hitchens still something of an unknown quantity, the shares could go sideways awhile yet.

Plysu managing director quits

By Richard Gourlay

MR RICHARD Gordon, managing director of Plysu, the manufacturer of plastic bottles, resigned yesterday after a boardroom coup led by non-executive directors.

Mr Stephen Nobbs, the finance director, said that following the group's June expansion into Europe with the acquisition of SEP Group, there was a need for greater delegation of decision-making.

"The centralised management style led to bottlenecks with the one person having to take every single decision at the top," Mr Nobbs said.

Mr Gordon had recognised the need for changes but had been unable to put them in place, said Mr Alan Brooker, a non-executive director. The problem had been looming since the SEP acquisition.

Plysu was developing into a company with sales of £100m from eight production sites and was no longer suitable for management style centred around one person.

Plysu's shares fell 22p to 243p.

Mr Gordon had agreed to limit his public reaction to a statement that there had been "a serious disagreement with the chairman [Mr James Summerlin]". Mr Gordon and Mr Summerlin are both substantial shareholders and jointly helped develop Plysu over the past two decades.

Plysu brought forward the announcement of its interim results by three weeks as a result of Mr Gordon's resignation.

Pre-tax profits in the period to October 9 rose 21 per cent to £5.81m on sales up by 19 per cent at £42.45m.

Earnings per share rose 17 per cent to 8.4p and the interim dividend is increased from 1.65p to 2p.

Mr Malcolm Macintyre, production director, has been appointed acting managing director while a successor to Mr Gordon is found.

● COMMENT

Before yesterday Plysu was successfully following a well-thought out strategy. It was developing new products and pushing into continental Europe. Steady profits and earnings increases had given the company a deserved premium rating. Maybe none of this has changed. But the resignation has been accompanied by the suppression of Mr Gordon's side of what happened which does few shareholders any service. If neither the profit and loss account nor the balance sheet nor the European expansion strategy are off-track, then why such a precipitate departure? At best it is a graceless parting of the ways; at worse something darker lurks. Shareholders who have enjoyed a good ride may decide to get off and watch for a while, even though forecasts for the year give profits of £12m and earnings of 6.75p.

Portsmouth & Sunderland warns on profits

Portsmouth & Sunderland Newspapers yesterday reported a 30 per cent rise in first-half profits.

However, a warning from the publishing, printing and retailing group about prospects for the second half left the shares 22p lower at 483p.

The company said the start to the second half had been disappointing and it did not expect to achieve the same results as in the comparable period.

Sales in the 26 weeks to September 26 rose from £48m to £52.3m. After reduced interest payable of £43,000 (£296,000) pre-tax profits came out at £3.38m (£2.6m).

In the year to March 28 1992 profits decreased to £4.39m (£5.28m) after redundancy costs.

Acquisitions helped lift publishing revenue in the first half by 9 per cent to £24.6m; without their contribution the increase was only 3 per cent.

The opening of another three stores brought the number of One Stop Community Stores to 72, which contributed £300,000 to profits.

The interim dividend is raised to 2.84p (2.73p) on earnings per share of 20.2p (14.4p).

Bank of Ireland jumps 69% as US and UK losses are reduced

By Tim Coone in Dublin

BANK OF Ireland, the Republic's second largest clearing bank, yesterday reported a 69 per cent jump in pre-tax profits to I£65.8m (£72.4m) in the half year to September 30, up from I£38.6m at the interim stage last time.

Mr Paul D'Alton, group financial officer, said 80 per cent of the improvement had come through loss reductions in the bank's US and UK divisions, while the 20 per cent growth in income to I£409m was largely a result of the incorporation of last year's acquisitions of Amoskeag and BankEast banks in the US, into its First New Hampshire subsidiary.

Retail profits in Ireland advanced 15 per cent to I£70.6m, while those from corporate and treasury operations rose 18 per cent to I£35.2m. UK losses were reduced by 48 per cent to I£5.3m, while losses at FHN were cut back by 22 per cent to I£27.3m.

Mr Pat Molloy, group chief executive, said: "We have had solid performance in our Irish-based business, and given the prevailing market conditions we believe we have done very well." He said business prospects in the UK "were, and still are very bleak", while any improvements in the US market "will be very gradual and are not very perceptible".

The bank has writen down "to a realistic value" its 940,000 shares in GPA Group, the aircraft lessor in talks with its bankers. Mr D'Alton declined to give the new value of its 0.41 per cent stake but said "Any further write-down will not have a material impact on our results".

Loan loss provisions have been held at I£72m (I£70.4m), of which I£42.6m relates to the New Hampshire market and collapse in property values there. Mr D'Alton said the bank had decided "to grasp the nettle" in making, from the I£42.6m, a I£21.6m provision for market decline there.

Hilco, an FNH subsidiary to which its problem property debts have been transferred, has had the carrying value of its repossessed properties reduced from $100m (£66.2m) to $21m by sales and write-downs, and which includes an additional $50m in transfers over the past year from FNH's books.

Mr Molloy said he was not "particularly pessimistic" about current high interest rates in Ireland. "If these persist, however, then that has to be worrying."

An unchanged interim dividend of 3.33p is declared out of earnings per share up 34 per cent at 7.1p.

● COMMENT

Bank of Ireland's ill-timed foray into the New Hampshire banking market in 1988 has cost it well over $500m in losses and write-offs, but there are hopeful signs that the corner has been turned. The millstone of FNH's failed property loans is being lightened, while rationalisation and acquisition of new plug-on retail banking assets in the New Hampshire market gives FNH a commanding 25 per cent market share with a wholly renovated loan portfolio. Good domestic retail performance and well-run treasury operations during the September currency crisis have made a strong contribution this time round. The only real worry is whether high interest rates will push the Irish economy into recession next year.

Losses deepen at Christie Group

The deficit before tax at Christie Group, the specialist business agency, increased by £26,000 to £507,000 in the six months to September 30, reflecting "continuing problems" in the company's markets.

Turnover fell from £9.3m to £8.96m.

Losses per share worked through at 2.8p (1.81p).

NEWS DIGEST

Appleby Westward grows 18%

APPLEBY Westward Group, the USM-quoted company which distributes groceries to Spar and VG outlets, lifted interim profits by 18 per cent.

The advance for the 28 weeks to September 12 – from £855,000 to £1.01m pre-tax – came on sales of £41.6m (£40.8m).

However, Mr Roger Harvey, chairman of this Cornwall-based group, said he did not anticipate the same level of growth in the second half.

He described the sales increase as "disappointing". The improved outcome reflected "even tighter controls and greater efficiency wherever possible".

The interim dividend is 3.2p (3p). Earnings 11.9p (10.1p).

Provisions keep Five Oaks £3.9m in red

Further provisions against falling property values kept Five Oaks Investments, the property investment and dealing company, in the red in the year to June 30, albeit at a much reduced level.

After an exceptional debit of £3.54m, pre-tax losses amounted to £3.9m. In 1990-91 the company carried an exceptional debit of £9.83m and losses of £9.37m.

Net rental income increased to £3.19m (£3.11m) but other income came to just £20,000 (£1.83m).

As last year the dividend payment is omitted. Losses per share were reduced to 8.32p (20.18p).

WB Industries suspended at 10p

Dealings in the shares of WB Industries, the West Bromwich-based spring manufacturer, have been suspended at 10p at the company's request.

Directors said the move was taken ahead of the publication of the report and accounts for 1991 and a circular "containing information on the sale of Elson & Robbins".

Loss-making WB sold Elson, a profitable unit spring maker, to Wade Group for £1.94m last month.

Timber side behind decline at Rexmore

Rexmore, the Liverpool-based contract furnishing and timber group, saw pre-tax profits tumble to £202,000 in the 27 weeks to October 3.

The fall from last time's £639,000 came on turnover of £20.1m (£22.7m).

Directors said the decline was mainly attributable to the discontinuance of the Albert H Letheren business and difficult conditions in the rest of the timber operations.

The division incurred an operating deficit of £103,000 against profits of £300,000. Turnover was £5.27m (£5.95m).

In contrast, the contract furnishing side held up well with operating profits of £829,000 (£863,000) from turnover of £13.5m (£13.1m).

Earnings per share dipped to 0.95p (2.69p).

The interim dividend is maintained at 0.7p.

Maddox confirms Stratagem talks

Maddox Group hasconfirmed, in response to a press report, that it had been talking with Stratagem, the investment company, over the possible acquisition of Firstpoint "to penetrate further the computer maintenance and systems support market".

However, the electrical products and computer maintenance group – which this year has undergone substantial changes and a name change from Pathfinders Group – added that terms had not been agreed and that therefore the talks might or might not proceed.

Molyneux Estates reduces deficit

Molyneux Estates, the USM-quoted property investment group, cut pre-tax losses from £645,310 to £483,692 in the year to June 23.

The result was after losses of £548,965 (£445,640) from the associate, Overgate Centre, and interest charges of £2.08m (£1.87m).

Mr David Lewis, chairman, said the investment portfolio of about 750,000 sq ft of retail and ancillary space and about 200,000 sq ft of industrial and office space continued to be actively managed.

A number of planning consents remained available for expansion and upgrading across the portfolio, but there were no current capital commitments.

Turnover improved to £2.27m (£1.86m).

Losses per share amounted to 2.78p (3.71p) and there is no dividend (0.5p).

Two disposals by Cray Electronics

Cray Electronics Holdings has agreed to sell Cray Systems Integration for £4.5m, together with RFL Electronics for $10m (£6.6m).

The existing managements of CSI and RFL have formed companies to make the acquisitions. The effect of the disposals will reduce net borrowings of the parent by some £8.5m.

The two companies were part of the information technology division of Dowty, which was acquired from the TI Group in August.

Net assets fall at Drayton English

The net asset value per share of Drayton English & International Trust fell to 53.7p at October 5 against 66p at the April 5 year end and 88.1p a year ago.

Net revenue £1.18m (£1.29m) and earnings 0.88p (0.48p). The interim dividend is held at 0.6p.

● Drayton Asia Trust a net asset value per share was 95.43p at the September 30 year end, against 86.28p a year ago. Earnings per share fell to 0.9p (0.92p) and the final dividend is again 0.7p.

ACCOUNTANCY COLUMN

Court case gives unique insight into an auditor's work

Andrew Jack on the lessons to be learned from the spiralling costs of an unfortunate acquisition

WHEN Walker Greenbank, the wall-coverings group, sold one of its subsidiaries in September 1990, the directors were hardly concerned that they were paid just £1 on the deal.

Nearly four years after its acquisition, Greenbank's board was glad to see the back of Alkar, a supermarket and warehouse shelving company that had cost the group up to £15m.

The first sign of trouble came in October 1988. Mr Alan Carr, Alkar's managing director and the man who had sold his company to Greenbank at the start of 1987, made his normal monthly presentation to the board.

After nearly two years' of monthly written and oral management reports, and the launch of an ambitious expansion programme, he told the directors that there might be a shortfall in anticipated profits in his subsidiary.

The next month, these doubts resurfaced in discussions Greenbank was having with a potential takeover candidate. As a result, Sir Anthony Jolliffe, the company's chairman at the time, suggested that Mr Carr might want to buy back Alkar.

Mr Carr sought professional advice, and suggested a figure. This number suggested his advisers had been given different information on Alkar's performance to that previously presented to Greenbank's board.

The next day, on a Friday in mid-November 1988, Mr Carr called Greenbank's finance director. He said Alkar's stated figures were incorrect, with stocks over-valued by £2m-£4m and debtors over-valued by up to £4m. He tendered his resignation.

By Sunday, Greenbank had obtained an injunction to prevent Mr Carr and his father – who had received Greenbank shares in payment for the acquisition of Alkar – from selling these shares. Investigating accountants and senior Greenbank management moved in to Alkar.

The final chapter of Greenbank's involvement with Alkar took place just a few weeks ago, when Arthur Young, Greenbank's auditors, and Mr Carr and his father – Alkar's previous owners – agreed to an out-of-court settlement totalling £4.6m including costs.

The story of the Alkar acquisition is a valuable case-study, not least because rarely do such intimate financial details make it as far as open court. The details of the case are based on court documents presented by Greenbank's lawyers during the trial. The case was settled before evidence was heard from the Carrs or Arthur Young.

Walker Greenbank – previously known as C & W Walker Holdings – was the holding company for a group of engineering businesses growing by acquisition, based in Lancashire. In December 1986 it considered buying a new business. That company was Alkar – originally called WH Carr & Sons – based near Newcastle upon Tyne, which made and installed supermarket shelving systems and warehouse racking.

Alkar was owned by Mr Alan Carr, the managing director, and Mr William Carr, his father and a former director. Alan Carr wanted to expand the business, and decided that finding a purchaser which would inject more money would be the best option.

Alan Carr negotiated with Greenbank, and told the company that Alkar would make a profit of at least £900,000 for the year to December 31 1986. He supplied audited accounts for 1984 and 1985, and management accounts up to October 1986.

Greenbank asked Arthur Young, its auditor, to investigate Alkar. It says that nothing untoward emerged, and it purchased the company by the end of January 1987. Alan Carr joined Greenbank's board, and Greenbank's deputy chief executive joined Alkar's.

Payment was £2.2m in shares initially, with a series of further amounts on later dates related to Alkar's profits for 1986 and 1987. What emerged many months later was the inaccuracy of both the profit forecasts and of the financial information fed to Greenbank's board after acquisition.

Greenbank alleges that the information was far too reliant on Alan Carr. It says he decided what transactions should be recognised as sales, he anticipated sales and he decided what the company's stock was worth. It also highlights the role of Arthur Young, saying the firm should have raised questions over Alkar's accounting practices and profit forecasts.

The 1986 accounts showed pre-tax profits of £1.1m. They were over-stated by £240,000 of overvalued stock, and by £271,000 not properly attributable to that year. According to Greenbank, the real net profit should have been just £784,000 – well below the £900,000 forecast level.

After acquisition, Greenbank alleges fraud on the part of Mr Alan Carr and negligence against Arthur Young, as auditor to Alkar once it had become part of the group. The Carrs and Arthur Young deny these allegations.

During this period, Alkar made monthly written reports of its trading figures and oral progress reports to Greenbank's board. In February 1988, for instance, Alan Carr said sales to January of that year were £10.4m and pre-tax profits were £2.7m. In fact, sales were no more than £8.5m, and Alkar had made a loss, says Greenbank.

What Arthur Young allegedly failed to detect was an over-valuation of stock totalling £4m – with a corresponding increase in profit. That included £500,000 over-stated as a result of double counting stock and miscalculating overheads.

In late December 1987, there was a stock-take at Alkar's factory and warehouse attended by auditors from Arthur Young. The count was apparently carried out properly, using stock tickets stuck to the items being counted. Carbon duplicates were taken to the office for computer entry.

But the audit senior carrying out the work was accompanied by Alkar's in-house accountant as he went round. On the instructions of Alan Carr, this accountant then altered figures on the computer to inflate the amount of stock, being careful to only inflate items that he knew were not being tested by the auditors. He added digits to the beginning of the figures or noughts to the end, and altered the figures shown on the duplicate tickets by inking over the carbon figures.

Arthur Young also failed to highlight inflated sales figures. Alkar included in the accounts two sales not attributable to the financial period under examination, which inflated sales by £2.5 and profits by £400,000.

The first was a £2.2m order from the Gateway supermarket chain, Alkar's principal customer. There was no such order, but simply an arrangement that sales made after February 1988 up to £2.2m would receive a discount by the company.

Greenbank alleges that the auditors were talked round into accepting this sale and told Alkar staff what documentation would be required to confirm it had taken place. These sales figures were also to be included in the accounts for the following financial year.

The second sale was a £306,000 order to equip 17 supermarkets. Only two, in fact, had been equipped during the accounting period. Finally, Alkar included £300,000 in income from a grant from the Department of Trade and Industry, even though the conditions for payment were not met until long after the end of the accounting period.

Greenbank argues that based on these accounts, which were finally published in June 1988, and the continued healthy progress reports from Mr Carr, it extended new loans to Alkar to help fund its expansion.

Fuller details of the Alkar acquisition – contained in 2,000 files in the High Court in London last month – would no doubt have emerged during a trial expected to last at least until next January. But after two weeks' of opening arguments, the Carrs and Arthur Young, now part of accountants Ernst & Young, agreed to settle without any admission of liability. They denied Greenbank's allegations.

The Association of Corporate Treasurers
DIPLOMA AWARDS

The following were successful in passing the Part II examination of the Association of Corporate Treasurers

Simon Appleby	Treasury Manager, Burmah Castrol Trading Limited
George Avraam	Group Treasurer, W H Smith Limited
Antony Barnes	Treasury & Accounting Manager, Toyota Motor Finance (UK) plc
Nikil Basu	Treasury Analyst, Saatchi & Saatchi Co plc
Annabel Beard	Managing Director, Lyssa Limited
Andrew Best	Senior Manager Investment Banking, Royal Trust Bank
David Bird	Financial Controller, Lease Plan UK Ltd
Timothy Bowler	Deputy Group Financial Controller, Alfred McAlpine Plc
Sheena Boyce	Assistant Treasurer, Marks & Spencer Plc
Diana Brightmore-Armour	Treasury Manager, Coca Cola International
Clare Brittain	Assistant Financial Manager, Reuters Ltd
Keith Brooks	Treasury Assistant, Prudential Corporation
Joy Callender	Group Accountant, [illegible] plc
Deborah Chubb	Dealer, The Wellcome Foundation Ltd
Stuart Corbin	Treasury Assistant, [illegible] Corporation
John-Paul Crutchley	Credit Analyst, Barclays Bank plc
Peter Davey	
Jan De Geus	Controller, BET Plc
Howard Dodd	Finance Manager, ICI Plc
Andrew Drummond	Corporate Finance Executive, BDO Binder Hamlyn
Angus Duff	Tax & Treasury Accountant, Rockwater Ltd
Melanie Duke	Marketing Officer Treasury, Morgan Grenfell & Co Limited
Emma Everill	J Sainsbury Plc
Ian Evison	Treasury Officer, Pedigree Petfoods
David Gilmour	Banking Executive, British Linen Bank Limited
Gregory Gosling	
Colin Grant	Treasury Accountant, Halifax Building Society
Jason Grover	Corporate Finance Supervisor, Coopers & Lybrand
Harish Hans	Manager, Group Audit, National Westminster Bank plc
Peter Harrison	Audit Senior, Arthur Andersen & Co
Alan Hickey	Project Accountant, Terra Nova Insurance Company Limited
Colin Hodges	County NatWest Limited
John Jackson	Treasury Manager, Marks & Spencer plc
Jeremy Lazarus	Management Consultant Treasury, Ernst and Young
Kam Hong Leung	Chief Accountant Credito Italiano International Ltd
Richard Love	Cash Manager, Elf UK Plc
Mark Lowe	Assistant Manager-Risk Management Dept, Canadian Imperial Bank of Commerce
Jonathan Lowe	
Simon Mathews	Tomkins plc
Noel McSharry	Regional Accountant, Almarai Co Ltd
Timothy Medak	Corporate Finance Executive, Lazard Brothers & Company Limited
Andrew Montague-Fuller	Executive, Corporate Finance, BP International Limited
Antony Morris	Accountant, Coopers & Lybrand
Andrew Moss	Assistant Director, Group Treasury, Midland Bank plc
Judith O'Connell	Financial Controller, Autoglass Holdings
Margaret O'Riordan	Credit Analyst, Abbey National Treasury Services plc
Brian O'Sullivan	Guinness Mahon Asset Management Ltd
Tanuja Pandit	Senior Consultant, Touche Ross Management Consultants
Kate Pearson	Treasury Manager, Courtaulds Textiles plc
Nicholas Pomery	Financial Controller, Abbey National Treasury Services Plc
Andrew Reynolds	Group Financial Analyst, J Sainsbury Plc
John Rowan	Internal Audit Mgr-Inspection Dept., Bank of Scotland
Fiona Sharman	Asst Director-Treasury Services Gp, Morgan Grenfell & Co Limited
Martin Shaw	Audit Senior, Guinness Mahon Group Ltd
Graham Smith	Group Treasurer, BTP plc
Clive Smith	Senior Auditor, Bristol & West Building Society
Jeremy Snood	Continental Europe Fin. Controller, Jones Lang Wootton SA
Jeffrey Speke	Assistant Director International, Morgan Grenfell & Co Limited
Matthew Topham	Group Financial Controller, Wace Group Plc
Tie for Tsang	Assistant Manager, Finance Department, Bank of Tokyo Capital Markets Ltd
Dominic Turnbull	Assistant Audit Manager, International Paper
Marian White	Treasury Manager, Forte Plc
Brian White	Assistant Fund Manager, Municipal Mutual Insurance Ltd
Robert Williams	Deputy Treasurer, Y J Lovell (Group Services) Ltd
Samuel Wong	Treasury Manager, ABN Amro Securities (UK) Ltd
Donald Wright	Principal Assistant (Borrowing) Scottish Power plc

ACCOUNTANCY APPOINTMENTS

Chief Accountant

West Country

c £50,000 + bonus + benefits

Our client is a highly successful international trading arm of a major UK plc, with an exceptional portfolio of well known and leading branded products. Recent restructuring, to focus on key products and worldwide markets, has resulted in the creation of this new post.

Reporting to the Finance Director, prime responsibilities are to direct the financial accounting and financial services activities, including taxation and foreign exchange management. The role will include management of complex financial reporting which will involve worldwide consolidation of key performance measures and statutory reports and consequently considerable overseas travel.

The key requirement is for a high calibre, qualified accountant with proven experience of success in managing a similar challenge - either in a large international group or in an accounting practice. The ability to lead an ambitious team of young finance specialists should be coupled with above average communication and technical skills. Fluency in a second European language, such as French or Spanish, will be an advantage. Prospects for development in the international group are excellent.

There is a generous remuneration package which reflects the importance of this post and includes assistance with relocation.

Interested candidates should send comprehensive c.v.'s to Mavis Would, KPMG Selection & Search, Richmond Park House, 15 Pembroke Road, Clifton, Bristol BS8 3BG. Telephone: (0272) 732291.

KPMG Selection & Search

Price Waterhouse

EXECUTIVE SEARCH & SELECTION

Regional Internal Audit Manager

Union Bank of Switzerland — **Singapore**

UBS, Switzerland's largest bank, is prominent throughout the world. They are renowned as a dynamic and innovative organisation with a strong international focus. Already well established in East Asia, they are now poised for further growth in this region.

Singapore, which serves as the Regional Headquarters, is an exceptional location in which to live and work; with full employment, low inflation and annual growth averaging 8%.

Whilst the position of Regional Internal Audit Manager will be based in Singapore, your responsibilities will involve travel throughout the East Asia region. You will be responsible for directing, planning, co-ordinating and reviewing the region's internal audit, including preparation of an audit strategy. You will also liaise with various Unit Heads in each location on audit requirements and to ensure that relevant control procedures are uniformly adopted. A major challenge will be monitoring the bank's new and innovative financial products and ensuring that audit techniques can continually meet the changing needs of the business.

This is a permanent appointment, ideally suiting someone seeking to relocate to Singapore on a long term basis. You will be either a Chartered Accountant or CPA, with a minimum of 5 years experience in audit, including management responsibilities. You should be familiar with modern audit techniques and computerised systems in a multi-national environment. Whilst not absolutely essential, experience of treasury products and/or banking audits will be an advantage. You should also have excellent interpersonal and communication skills and the ability to work independently.

In addition to an attractive salary, benefits will include relocation, local housing, medical and other top tier benefits.

Final interviews are due to take place in early December. Therefore, please send or fax a comprehensive CV as soon as possible quoting reference F/1308 to Heather Thomas.
Executive Search & Selection
Price Waterhouse
Milton Gate
1 Moor Lane
London EC2Y 9PB
Fax: 071-638 1358.

EAST ANGLIA — **c £55,000 + CAR + BENEFITS**

Finance Director

Our client is a multi-site, £30m turnover quoted plc in the manufacturing/engineering sector. Several of their core products enjoy market leading positions reflecting their emphasis on quality and reliability.

Reporting to the Managing Director, you will participate fully as a key member of the head office team, assuming responsibility for all aspects of financial management. Rapid and effective reporting, cash flow and asset management continue to be ongoing issues requiring strong financial leadership. The role is broadly commercial, requiring wide-ranging involvement in both the operational and strategic management of the business.

A qualified accountant, probably in your late 30s, you will have a proven record of managing the finance function within manufacturing/industrial businesses. You will have a practical, shirt sleeves approach to financial management with an ability to quickly focus on the key issues, bringing a decisive and innovative approach to resolving them. An enthusiast with drive and initiative, you must demonstrate a strong management aptitude and the personal style to inspire others.

Please send full personal and career details, including current remuneration and daytime telephone number, in confidence to Ann Shepherd, Coopers & Lybrand Executive Resourcing Ltd, 76 Shoe Lane, London EC4A 3JB, quoting reference AS951 on both envelope and letter.

Coopers & Lybrand Executive Resourcing

WALL DATA (UK) LTD

Financial Accountant

West London — **c. £25,000 + car + stock options**

This is a superb opportunity for a young graduate qualified accountant to join the UK subsidiary of Wall Data, a fast moving US software company.

The company has experienced dramatic growth over the past few years with its RUMBA family of PC-Host communication products and has established clear market leadership.

Reporting to the Finance Director, European Operations, you will be responsible for the day-to-day running of the finance department, all financial and management reporting – and play a major role in the installation and management of new information systems.

In your mid-twenties, you should offer an impressive track record – within the Profession or Industry – and, crucially, the work ethic and ambition required to thrive in a small team within a high growth, high change organisation.

To apply, please send your CV without delay, quoting Ref FT11, to Paul Henry at the company's Recruitment Consultancy: Henry MacLeod & Partners, Arch House, 2-4 High Street, Chalfont St Peter, Bucks SL9 9QA.
Tel: 0753 880313. Fax: 0753 884053.

HENRY MACLEOD
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FINANCE DIRECTOR

BLOOMSBURY PUBLISHING LTD

Bloomsbury Publishing Ltd, the dynamic force in British book publishing, is looking for a Finance Director. The right candidate will probably be aged between 30 and 40 and will be a qualified chartered accountant with PLC experience. He or she will have a hands-on approach to heading up Bloomsbury's accounts department and also will have the weight and presence to become the main point of contact with the firm's City shareholders. High computer literacy, an aggressive style, and a desire to get involved in all aspects of the publishing business would all be an advantage. Salary and conditions commensurate with the importance of the job.

Please apply in writing only to:
Nigel Newton
Managing Director
Bloomsbury Publishing Ltd
2 Soho Square
London W1V 5DE

B L O O M S B U R Y

Finance Manager – Europe

West London — **£35,000 plus benefits**

Eicon Technology was established in the UK in 1988 and has an impressive track record of growth. The Company provides computer connectivity solutions, namely emulation software, network gateways and routers, employing 50 staff in the UK and Europe. The Company has branches in Germany and France and is looking to continue expanding in continental Europe. The Canadian parent company is currently establishing an R&D and manufacturing operation in Dublin.

Due to the continuing growth of the Company, Eicon wish to appoint a Finance Manager who will assist in the development of the financial systems and controls of the Company, both in the UK and Europe, and who will support and advise the Managing Director and the management team in all financial matters affecting the operations of the company.

Applicants will be qualified accountants with at least five years line management experience, preferably of working in Europe or with European subsidiaries, and of reporting to an overseas Head Office. An ability to communicate in French or German would be beneficial. Experience of computer-based accounting and management information systems, and an involvement with strategic planning and change due to growth, is essential.

Applicants should apply in writing enclosing a detailed CV and quoting reference number 4406/45 to the address below.

EICON TECHNOLOGY
Connecting People to Information™

Jonathan Wilkinson,
Head of Executive Recruitment,
Pannell Kerr Forster Associates,
New Garden House,
78 Hatton Garden,
London EC1N 8JA.

Litigation Support Managers

LONDON — ***to £40k+ car + bens***

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Renowned for an innovative approach to the problems facing modern business, Levy Gee has enjoyed sustained growth in recent years. We now require additional high calibre Litigation Support specialists to play a key role in the further expansion of our Forensic Accounting activity in both London and Manchester.

THE ROLE

- *To provide expert witness evidence on behalf of both plaintiff and defendant in both personal and commercial cases.*
- *Additional involvement in both the prevention and proof of fraud, business reviews, and acquisitions and disposals work.*
- *To make an early contribution to marketing the department to outside contacts and introducers of work.*
- *Excellent prospects for further career progression.*

THE PERSON

- *Qualified Accountant with 2-3 years' specialised Litigation Support experience.*
- *Must be able to communicate technical issues clearly and concisely to specialists and laymen alike.*
- *Proven managerial ability in order to train and motivate others.*
- *Strong marketing, business generating and negotiation skills.*

Please write, enclosing a current CV to Jane Ryley, Personnel Manager, 100 Chalk Farm Road, London NW1 8EH. Tel: 071-267 4477. Interviews will be held in Manchester and London.

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DIRECTOR OF FINANCE

We are a group of companies with diversified business in different parts of the world, operating out of the Middle East.

The Director of Finance will analyse, revise and implement accounting and financial systems and operations of the group and member companies.

You are a university graduate with over 20 years experience in company accounting, financial management and banking operations. You have excellent computer skills and excellent spoken and written English and Arabic. A hard worker, ready to travel whenever necessary and willing to be part of a growing team.

Please send c.v. accompanied by a recent photograph to Box A613, Financial Times, One Southwark Bridge, London SE1 9HL.

FINANCIAL ANALYSIS MANAGER

This is an opportunity to make your mark with Sun Microsystems, the world's leading supplier of client server computing solutions which feature networked workstations and servers. We are a multi-billion dollar corporation operating worldwide, with our European manufacturing base in Linlithgow, West Lothian.

With overall responsibility for our European Operations financial analysis department, your brief will cover all aspects of this vital function, from forecasting and reporting on manufacturing and distribution costs, through product cost analysis to the management reporting of company-wide financial results. The department currently consists of six professional financial analysts, therefore the proven ability to manage and delegate effectively is of vital importance.

The role will demand the skills of a professional Accountant with at least 10 years experience, some of which will have been gained within a multinational high technology organisation at a managerial level. Educated to honours or masters degree level, your track record will demonstrate an ability not only to shape your own career, but to influence the future of this world leading company.

We believe in recognising and rewarding the contribution of every employee, and our remuneration package will certainly not disappoint the highest achiever. Benefits will also include relocation, where appropriate, to this attractive rural location, close to both Edinburgh and Glasgow.

Please apply in writing with full CV to: Brian Clarke, Sun Microsystems Scotland BV, Springfield, Linlithgow, West Lothian EH49 7LR. Tel: 0506 672306.

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We have vacancies for qualified accountants, with or without "Big 6" experience, in the following offices:

Seville and Valencia – Recently qualified
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The annual salaries are negotiable starting from a base of Ptas. 5,000,000 for recently qualified accountants to Ptas. 8,000,000, depending upon experience and other factors.

Candidates should be native English speakers and if they do not already know Spanish should have sufficient linguistic skills to be able to learn it rapidly.

Preference will be given to unmarried candidates and those whose spouses are native Spanish speakers.

Visiting partners will conduct preliminary interviews in London and Edinburgh during November, and selected candidates will be invited to make office visits to Spain shortly thereafter.

Those interested please mail or fax complete CVs to: Mr Alex Verth, KPMG Peat Marwick y Cia, Paseo de la Castellana, 95, 28046 Madrid, Spain. Fax: 34 (1) 555 01 32.

KPMG Peat Marwick y Cia Auditores SRC

Appointments Advertising

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Financial Controller

Greater London

c £45,000 package + car

Our client is an autonomous subsidiary of a large multinational marketing and manufacturing Group.

The Company has an impressive record of sales and profit growth and is the market leader in its field. One of the major challenges ahead is the development and expansion of a new Region encompassing the East European Countries.

The tremendous opportunities in this marketplace have created the need to recruit a talented Financial Controller to join the senior management team at the Headquarters in Greater London.

Reporting to the Regional General Manager, this position will involve:

- strategic and operational decision making to develop new business
- negotiation of marketing and manufacturing agreements
- investment appraisal and evaluation of marketing initiatives
- establishing legal accounting entities for new countries and recruiting local finance personnel
- design, implementation and development of computerised management information systems
- development of management and financial accounting procedures and controls for the operating subsidiaries
- development of business planning and management reporting for the Region
- treasury management, planning and control

Candidates, aged 28 to 35, must be graduate calibre qualified accountants with broad accounting and commercial skills gained in an international business environment. Strong intellectual abilities should be combined with good interpersonal skills and a flexible approach to problem solving. **Language skills and previous exposure to East European business are desirable but not essential.**

The successful candidate will have a unique opportunity to achieve innovative solutions within the rapidly expanding East European marketplace.

Applicants should write (enclosing a Curriculum Vitae and details of current salary) to: Peter Ward ACMA, Martin Ward Anderson, Goswell House, 134 Peascod Street, Windsor, Berks, SL4 1DS

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FOREIGN EXCHANGE MANAGER

THE BLACK & DECKER CORPORATION

The World Headquarters of the Black & Decker Corporation located in the Baltimore area of Maryland is now searching for an individual to manage the worldwide foreign exchange risk function. Successful candidates will have the following:

- 3-5 years of foreign exchange trading experience in a multinational corporation or financial institution involving forward contracts and OTC options,
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- Knowledge of accounting and tax as they relate to foreign exchange,
- Ability to travel internationally on an occasional basis.

This individual will be responsible for an annual trading volume of approximately $10 billion, including forward exchange contracts and options.

For consideration please send confidential resume with salary history to the following address:

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Divisional Finance Director

Midlands **To £55,000 + Car + Benefits**

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The Managing Director of a high-growth division wishes to recruit a highly commercial Finance Director.

Key tasks will include:-

- providing day-to-day support to the Managing Director in the successful pursuit of profit objectives;
- contributing to the strategic direction of the business;
- targeting, review and implementation of acquisitions in both the UK and overseas.

A graduate qualified accountant, aged 35-45 years, you will demonstrate a first class track record in blue chip FMCG companies, with broadly based financial responsibilities.

Vital attributes will be:-

- proven ability to contribute to commercial decision-making;
- hands-on management style;
- practical experience in the acquisition process, preferably on an international scale.

Excellent interpersonal skills will need to be combined with high credibility, a persuasive negotiating style and strong commitment to success. A second European language would be an asset.

Future prospects are extremely exciting, and could include further roles in finance or a move into general management.

A highly competitive remuneration package includes executive car, bonus scheme and relocation to this attractive and convenient part of the country.

Interested applicants should write, enclosing a detailed CV, to Linda Carpenter at the the address below, quoting reference number 128J.

ST. JAMES ASSOCIATES

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32 OLD BURLINGTON STREET, LONDON W1X 1LB.
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Our comprehensive training programme, which begins in September 1993, will be aimed at enhancing your existing expertise with the specific analytical skills required for early responsibility in investment decision making.

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In the first instance please write for an application form to: Linda Tottem, Senior Personnel Officer, PDFM, Triton Court, 14 Finsbury Square, London EC2A 1PD.
PDFM is a subsidiary of UBS Asset Management (UK) Ltd.

FINANCIAL CONTROLLER
Global Financial Markets
c£50k + attractive benefits package

Our client is the global proprietary trading arm of a major international corporation. Their involvement covers worldwide markets for fixed income, equity, money market, foreign exchange and derivative products. To facilitate their extremely aggressive growth plans, they seek to appoint an ambitious graduate and qualified accountant. The role will manage all aspects of the financial function, including accounting, operations, compliance and co-ordination of all tax and legal work.

Applicants must have at least 10 years relevant experience which has included exposure to financial markets. Additional skills will include strong UK/US tax knowledge and systems experience as well as proven staff-management ability.

The ideal candidate aged 30-40, is a flexible, commercially aware team leader with excellent communication skills and high energy, who would relish such a broad ranging and challenging management role.

For further information please contact Helen Highet on 071-623-1266

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Telephone 071-623 1266 Facsimile 071-626 5259

JONATHAN WREN EXECUTIVE

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Finance Director

First appointment by new CEO to help steer the commercial development and growth of a highly profitable and cash-generative £3 million business with international sales and activities in data capture and related services. The business represents an exciting vehicle for growth and is backed by well-known venture capitalists committed to expansion. Requires a talented finance professional with both strategic vision and proven managerial ability to contribute to profitable growth and increasing shareholder value. Flexible package with realistic prospects for capital gain.

THE ROLE

- Instil financial, administration and management reporting systems that are sufficiently flexible to accommodate substantial organic and acquisitive growth. Maintain tight day to day financial and administrative control over UK and overseas operations.
- Active participation with the CEO in determining future strategy. Close involvement in valuing, negotiating and integrating acquisitions.
- Assume responsibility for wide-ranging ad hoc projects as required in a small, tightly run company. Manage professional advisers and liaise with the City.

THE QUALIFICATIONS

- Experienced CA with a record of career progression in progressive and fast growth service-orientated organisations and ideally some exposure to small businesses.
- Specified and implemented management information reporting and control systems. Experienced in acquisitions with some international business exposure. Familiar with venture capital.
- A broad, commercially astute thinker with undoubted skill as a hands-on implementer in a small company. Strong team player and communicator, able to build constructive relationships with shareholders, banks, customers and colleagues.

London 071 973 8484
Manchester 061 437 0375

Selector Europe
A Spencer Stuart Company

Please reply, enclosing full details, to: Selector Europe, Ref. F20301121, 16 Connaught Place, London W2 2ED

Director of Finance
(Europe)

Reading ***c.£40,000 + car + benefits***

▪ Our client, a US owned manufacturing group in the specialty chemicals business with operating subsidiaries throughout Europe, is looking to recruit a commercially aware accountant to the position of Director of Finance (Europe).

▪ Functioning as part of the management team, the successful candidate will report to the Corporate Vice President responsible for European operations and will additionally take responsibility for treasury and company secretarial matters. The emphasis of the role will be to make a major contribution to the commercial aspects of the zone and individual operations from a financial standpoint including the enhancement of systems and management information reporting.

▪ Candidates for the position should be qualified chartered or management accountants, aged 35/45. Ideally they should have first hand experience of working in a medium sized manufacturing environment (batch processing) with, preferably, European and US interests. The successful candidate must be able to demonstrate full competence in the field of management accounting and MIS. Good analytical, communication and inter-personal skills are considered essential. A working knowledge of tax and company secretarial duties would be desirable. Above all, the client is looking for an energetic team player who will fit into the culture and make an active contribution to this truly successful company.

▪ Interested candidates should write enclosing a detailed curriculum vitae with salary details and quoting reference JC421 to Jeff Cottrell, Ernst & Young Corporate Resources, Rolls House, 7 Rolls Buildings, Fetter Lane, London EC4A 1NH.

ERNST & YOUNG

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EXECUTIVE CAREER SERVICES

Finance Director

East Midlands c£40,000 + Car + Bonus + Options

Our Client, a subsidiary of a successful electronics PLC, need a professionally qualified Finance Director to take full responsibility for the financial management of the business.

Selling into international markets, the company has secured a reputation for product excellence and innovation.

Reporting to the Managing Director, your role will be firmly rooted in the provision of detailed pertinent financial information and will involve extensive liaison with the management team which includes non-financial personnel. The ability to maximise their understanding, and the contribution of financial management to profit performance, is essential. Success in the role will require commercial flair and communication skills of the highest order.

Interested applicants should send a full C.V. and salary information and details of notable achievements, to Steven French, quoting reference B/405/92.

KPMG Executive Selection
Peat House, 2 Cornwall Street, Birmingham B3 2DL.

APPOINTMENTS WANTED

PROFIT AND ACTION ORIENTATED

Senior Executive, Managing Director 49, experienced all aspects of business management, cost cutting, restructuring business goal analysis, financial planning.

Expert marketeer with international experience, commonsense approach, U.S. trained. Seeks senior appointment Subsid or Division. Wide background, food, capital equipment, domestic goods.

Box A1986, Financial Times, One Southwark Bridge, London SE1 9HL.

BELGIUM

UK FCA qualified May 1963, multilingual, living in Belgium since 1967. Ex Big 8 senior auditor and US multinational Financial Controller. Available for regular long or short period assignments in accounting, audit assistance, market studies, acquisitions, stock-taking etc. Additional local assistance available for larger assignments.

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THE COMPANY operates in 78 countries with 122 offices. Group T/O is £8 billion. The Hungarian operation is experiencing rapid growth.

THE POSITION reports to the C.E.O. & to the Regional F.D. It is a key member of the management team. With responsibility for the financial strategy of the company, the challenge is to review and enhance the accounting systems and controls, manage the working capital & negotiate client contracts.

YOU are aged 28-40, ACA or ACCA, and ideally speak Hungarian. You have a hands-on management style & strong interpersonal & commercial skills. You have worked in a service industry & can demonstrate sound systems & management accounting expertise gained at senior level. Please reply enclosing your full cv to Rod Leefe at the address below. All applications will be treated in full confidence.

ACCOUNTANCY SELECTION, 118-119 NEWGATE STREET, LONDON EC1A 7AE. TELEPHONE: 071-606-2686

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CV and salary experience to: Clive Smith, Mitaka, 1-12 Morton Street, Leamington Spa CV32 5SY

BANKING FINANCE & GENERAL APPOINTMENTS

CORPORATE PLANNING EXECUTIVE

Excellent Package **Reigate, Surrey**

Redland PLC is one of the largest construction materials companies in the world, with operations in over thirty countries. It is the world's leading manufacturer of roofing products and systems, the second largest producer of construction aggregates and a major brickmaker.

Redland has a small Corporate Planning team at its head office which identifies and analyses options for the development of the group. The work is challenging and wide-ranging, requiring financial, strategic and marketing skills.

The Position

A vacancy exists for a senior member of the team. Reporting to the Director of Corporate Planning who reports to the Chief Executive, you will actively support the operating divisions in the strategic development of their businesses. You will carry out financial and marketing studies on international business opportunities, and participate in the negotiation of acquisitions. This is a demanding project-oriented role, involving regular interaction with divisional directors and the Redland Board.

Skills and Experience

- Excellent academic qualifications. Possibly MBA.
- Impressive start to career. 3-6 years' business experience in blue-chip industrial plc or consultancy.
- Must be financially acute and have proven analytical skills.
- Must be confident of liaising at the most senior management levels. Strong verbal and written communication skills.
- International outlook important. Languages highly desirable.

Please apply in writing, enclosing full CV and current salary, to:
Mrs. Christine Watts, Redland PLC, Reigate, Surrey RH2 0SJ
Closing date for application: 25th November.

Redland

COUNTERPARTY RISK MANAGEMENT

Capital Markets and Treasury

As a leading international investment bank with a major presence in capital markets and treasury, Swiss Bank Corporation manages the development of business opportunities and its exposure to credit risk through sound risk management.

We are seeking an additional Counterparty Risk Manager to strengthen our existing team. Working directly with the trading floor and understanding in detail their needs, products and counterparties, the successful candidate will assist in the management and control of our credit risks, facilitate the establishment of counterparty limits and contribute to maintaining the highest possible credit standards.

The position requires a professional of graduate calibre who has at least three years' experience in capital markets, in corporate finance, or on the banking side of a major international accountancy practice. Knowledge of capital markets and treasury products and the markets in which they are traded is essential. Personal qualities should include tact and determination coupled with a strong intellectual curiosity. We would prefer a Risk Manager who is credit trained and has fluency in a European language, but are prepared to invest in developing these skills.

In return we offer the opportunity to join a dynamic and innovative team and career advancement with a successful international bank.

If you feel you have the skills we require, please write with full career and personal details to

Mandy Hossami,
Swiss Bank Corporation,
Swiss Bank House,
1 High Timber Street,
London EC4V 3SB.

Swiss Bank Corporation
Schweizerischer Bankverein
Société de Banque Suisse

Foreign Exchange Dealers

Major Spanish Bank

Our client's activities in the F.X. market are characterised by growth, innovation and commitment. As part of a concerted programme of expansion, the London branch wishes to strengthen its Treasury operation by recruiting self-motivated dealers with expertise as follows:

FORWARD CABLE

Currently running a profitable book and using arbitrage, Fwd/Fwd's, SAFE's, FXA's and Financial Futures.

ESP INTEREST RATE RISK

Instruments to include Deposits, Forwards, FRA's, Futures and Swaps. Understanding of the PTE market is desirable. Spanish speaking an advantage.

SPOT F.X.

Ability to maintain substantial exposure in EMS cross currencies on a proprietary basis. A consistently positive profit record in strategic trading is essential.

Candidates will be in the age range of 25 to 35 with at least 4 years relevant experience and should possess a sound working knowledge of pc's/spreadsheets. Attractive salary & benefits packages apply.

Please call Jane Hampton or write in confidence quoting ref: JH1695. Tel: 071 696 0191
12 Copthall Avenue, London EC2R 7DH.

FOREX Selection
Treasury Recruitment

Manager, European Tax

Are you up to our combined challenge of managing our steady growth in Western Europe and the expansion into Eastern Europe?

Levi Strauss & Co. is the leading name in branded apparel worldwide. Our success is the result of consistent innovation at all levels in the business: product design and marketing, manufacturing, customer service and commitment to the growth of our people.

We currently have an excellent opportunity for an experienced European professional with strong technical, people and project management skills to manage our European tax team in Brussels. In this key position you will utilize your exceptional planning skills to develop and implement transactional projects, prepare for and manage our European tax audits.

To qualify, you must have a Law Degree or a CPA, 10 years' experience in corporate tax with at least 6 years' extensive International tax experience, and a solid working knowledge of U.S. and European tax laws. U.S. tax knowledge should include foreign tax credits, transfer pricing, foreign exchange and reorganizations. Additional requirements include strong communication and interpersonal skills for effective interaction with senior management and experience in European tax compliance and tax accounting.

Levi Strauss & Co. is a special company. We're committed to our people, our products and the social and physical environment in which we operate. We seek others who share these commitments and who aspire to the principles of ethical management practices, diversity of opinion, teamwork and empowerment.

For consideration, please FAX your resume today to Julio Sanchez at (415) 544-1468, Levi Strauss & Co., Employment Department JS-09, P.O. Box 7215, San Francisco, CA 94120. We are an equal opportunity employer.

Levi's
LEVI STRAUSS & CO

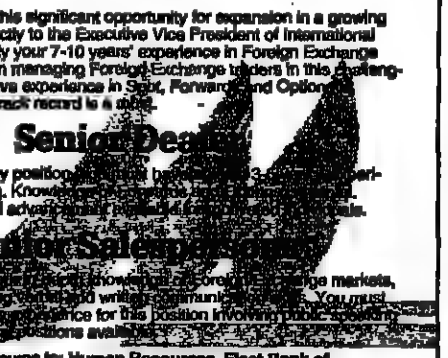
QUALITY NEVER GOES OUT OF STYLE.

Fleet Bank of Massachusetts is expanding its Foreign Exchange Dept. We are currently looking to fill these prominent positions which offer competitive salaries, benefits and an attractive incentive compensation plan:

Foreign Exchange

Chief Dealer

Take advantage of this significant opportunity for expansion in a growing area. Reporting directly to the Executive Vice President of International Treasury, you'll apply your 7-10 years' experience in Foreign Exchange and your expertise in managing Foreign Exchange traders in this challenging position. Extensive experience in Spot, Forwards and Options required. A proven track record is a must.



Senior Dealer

To qualify for this key position ... ence in Spot dealing. ... Opportunity for rapid advancement ...

Senior Salesperson

Here's a place ... foreign exchange markets, as well as ... written communication ... You must ... for this position involving ... positions available.

Please send your resume to: Human Resources, Fleet Bank of Massachusetts, Code FX, MA(X)S17EMP, 28 State Street, 17th Floor, Boston, MA 02109. No phone calls please. Fleet Financial Group values diversity. We are an affirmative action/equal opportunity employer.

Fleet Bank
A Member of Fleet Financial Group
We're here to make a difference.

CREDIT MANAGEMENT

The Head Office (London) of this UK based commercial Bank, seeks an experienced professional Credit Manager to direct the activities of the Credit Department.

Reporting to a member of the Management Board, the Credit Manager will be responsible for:-

- Liaising closely with relationship managers to develop business opportunities.
- Analysing financial proposals including both domestic and international banking.
- Monitoring and controlling problem accounts.

The successful candidate will have had formal credit training in a leading UK/International bank with a proven background in the development of new product documentation. This team player will have at least five years experience in a demanding credit environment covering domestic banking, trade finance and international exposures together with demonstrated administrative management ability.

In return, the Bank offers a highly competitive remuneration and benefits package – together with strong prospects of future career growth.

Please reply in confidence with a detailed CV and salary history to: Box A1986, Financial Times, One Southwark Bridge, London SE1 9HL.

GRADUATE TRAINEES

Tradition (UK) Ltd, an international money broker with offices in all major financial centres, is seeking suitable graduates to work in off-balance sheet markets.

The successful candidates will be numerate, quick-thinking and personable. An extra language would be advantageous.

Please reply to the Personnel Manager enclosing a CV and any other relevant information to the address shown below:

Tradition (UK) Ltd
Beaufort House
15 St Botolph Street
London
EC3A 7DT

INTERNATIONAL PRIVATE BANKING

Founded in Canada in 1899, Royal Trust is one of the world's leading Trust companies with assets under administration of C$150 billion. We have offices in key financial centres throughout the world, providing a wide range of financial services to customers in over 100 countries. The brief of the International Private Banking Team is to offer private access to the global economy for individual clients and their advisors.

We are now expanding our international private banking operations in Birmingham and London. We need to recruit up to five experienced professionals, with a legal, accounting or private client background and a specialist knowledge of fiduciary services or investment management. Their role will be to establish, build and manage relationships by meeting clients' needs for wealth protection and enhancement, whether directly or through the clients' professional advisors.

BIRMINGHAM

We wish to recruit a leader for our small private banking team in Birmingham, whose task will be to build both the client portfolio and the team. Applications are also invited for two additional positions on the team.

LONDON

We are looking for two new team members, with a minimum of five years' experience of working with domestic and international high net worth clients and the companies which they control, to join our existing City based team.

We offer fully competitive salaries plus mortgage subsidy, non contributory pension and life assurance.

Applications with full cv should be sent to Mike Burns, Managing Partner, Human Resources, Royal Trust Bank, Royal Trust House, 48-50 Cannon Street, London EC4N 6LD. Please quote IPB on envelope.

ROYAL TRUST
INTERNATIONAL

OVERSEAS FUND MANAGERS

North American and South East Asian Equities

London Based

Clerical Medical currently manages approximately £6.5 billion, of which £1.4 billion is invested in overseas equities. We are well respected for our performance across a range of funds which include unit trusts, pensions and a life assurance fund.

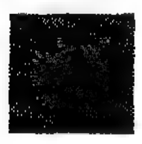
We have exciting opportunities now for two high calibre Fund Managers, one to join our North American team and the other to specialise in South East Asia excluding Japan.

To be considered you should have 5 years' experience of the relevant markets with at least 2 years of actual fund management responsibilities. You are likely to have a good honours degree and ideally you will also have investment marketing experience.

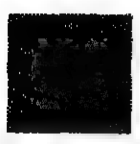
In return we can offer an excellent career opportunity since the value and number of funds is expected to continue to rise. There will be a competitive salary and performance related bonus together with a benefit package that includes non-contributory pension, private health insurance and a mortgage subsidy.

For an application form please telephone our Group Personnel Department on 071 321 1537 or 0275 552537 (24 hour answerphone).

Clerical Medical
INVESTMENT GROUP
THE CHOICE OF THE PROFESSIONAL



European Equities Assistant Fund Manager



£neg + excellent benefits
London

This is an opportunity to join the fund management arm of one of the UK's most highly respected financial services groups. As the Assistant to the European Fund Manager you will be responsible for making recommendations in a variety of Continental European markets and for contributing to the overall European Investment strategy.

The ideal candidate will have at least three years' experience in a similar role, utilising a variety of investment techniques, preferably with some quantitative knowledge.

Good communications skills and the ability to utilise computer based systems are essential.

Salary is negotiable but will reflect your experience and suitability, and will be supported by a package of other benefits.

Please send a C.V. to: Mrs Liz Laker, GRE Asset Management Limited, Bishopsgate Exchange, 155 Bishopsgate, London EC2M 3UU.

Guardian Royal Exchange

OML

Marketing Manager

THE CITY
C £35,000
+ Benefits

OM London is a Recognised Investment Exchange in the UK, active in the electronic trading and clearing of financial derivative products. This highly progressive company is committed to further business expansion in the UK and Europe exploiting their innovative market risk and clearing products as well as leading electronic trading technology. In order to help achieve this objective, it has need of an energetic marketing professional.

You will be a fast track university graduate with either an MBA or pertinent marketing qualification. In addition, you will ideally have experience of marketing complex financial concepts, preferably including derivatives, and of handling relationships with agencies. A second language would be an advantage. You will have trained with a recognised company and will have a record of success in the formulation and execution of strategies to identify markets and increase sales. You will be accustomed to being judged on your results.

Interested candidates should write in confidence to Matthew Hill enclosing a CV at: Nicholson International (Search and Selection Consultants), Africa House, 64-78 Kingsway, London WC2B 6AH, quoting reference number 9628, or fax details on 071 404 8128 or call directly on 071 404 5501 for an initial discussion.

Assistant Director

Corporate Finance

£50,000 - £60,000 + Banking Benefits London/Johannesburg

Rare opportunity to join growing corporate finance team at Assistant Director level on a secondment from London merchant bank to a South African financial services business.

THE COMPANY
- Leading London based international merchant bank with shareholding in successful and growing South African financial services company.
- Pursuing a strategy of internationalisation and growth in the rapidly changing South African market place.
- Strengthening its international corporate finance and cross border M&A capability.

THE POSITION
- Employee of the London merchant bank. Secondment to the South African institution for an initial two year period.
- Part of small professional team. Responsible for managing client relationships, originating and transacting deals.
- Bring highest standards of professionalism and technical expertise at critical stage of growth.

QUALIFICATIONS
- Aged between 30 and 35, a graduate, preferably with legal or accountancy training gained in South Africa. German and Afrikaans fluency helpful.
- South African background ideal, with at least five year's Corporate Finance or M&A experience gained in a prime US or UK merchant/investment banking environment outside South Africa.
- First class interpersonal and communication skills, commercialism and entrepreneurial flair are essential.

Please write, enclosing full cv. Ref L4585
54 Jermyn Street, London SW1Y 6LX

N B SELECTION LTD
a Norman Broadbent International associated company

NBS

London 071 493 6392
Aberdeen 0224 638080 • Slough 0753 819227
Birmingham 021 233 4656 • Manchester 0625 539953
Bristol 0272 291142 • Glasgow 041 204 4334

International Tax Specialist

Major International Bank

Competitive Salary + Banking Benefits, Company Car City Based

ING Bank is part of one of Europe's major financial institutions (ING Group), holding a prominent international position in the areas of Corporate Banking, Trade & Commodity Finance and taking a leading role in the field of the Emerging Markets.

As part of the Group's new strategy for identifying areas for future growth, we need to strengthen our Tax Team in London, focussing on international tax planning structures and products for the Group and its clients.

We are looking to meet "teamplayers" with 4-6 years experience gained with one of the major Accounting firms, with good communication skills, initiative and a commercial outlook and who can demonstrate a sound knowledge of:
- UK/European/US tax issues relating to Banking/ Financial institutions and multinational organisations
- investment appraisal methods and treasury products

If your experience and qualities match those outlined above and you feel you would be fully committed to a demanding career with one of Europe's leading financial institutions, please write with a full CV to:

Lindsey Claydon, Assistant Manager Personnel,
Internationale Nederlanden Bank N.V.,
2 Copthall Avenue, London EC2R 7BD.

ING BANK

CJA RECRUITMENT CONSULTANTS GROUP
3 London Wall Buildings, London Wall, London EC2M 5PJ
Tel: 071-588 3588 or 071-588 3576
Fax No. 071-256 8501

An exacting and demanding position - scope to reach the Board in 5-7 years

ASSISTANT TO DIRECTOR SETTLEMENTS - INSURANCE

CJA

LONDON **£37,000-£45,000**

MAJOR INTERNATIONAL RE-INSURANCE BROKERS

Applications are invited for candidates aged 35-40 who have acquired at least 5 years successful and practical experience in modern computerised settlements in either insurance, stockbroking or financial services and 2 years heading this area or as the number two. Responsibilities will cover, through a competent team, the total re-insurers' settlement operation, to include credit control, liquidations etc. The main focus will be on the continued improvement of settlement systems, involving identification, implementation and results reporting. Some UK travel will be necessary. The ability to lead and motivate a deeply committed team to achieve the highest standards, as well as relating patiently and positively with clients is important. Initial salary negotiable £37,000 - £45,000 + car, pension, free life assurance, medical insurance, assistance with removal expenses if necessary. Applications in strict confidence, under Ref: ADSI/4865/FT, to the Managing Director: CJA.

Executive Search

CONSULTANTS–FINANCIAL SERVICES

We are one of the foremost international Executive Search consultancies, operating exclusively in the financial services sector.

Our London office is now looking for two additional consultants to help build and expand its European operations, with a view to extending its existing business in France and Germany.

Applicants will have:
British, French or German Nationality / Fluency in at least two European languages / Be in the age range late-20's – mid-30's / Have an excellent university degree and probably an MBA as well / Have 3-5 years experience, including business development, in the financial services industry in London, Paris or Frankfurt.

The Position requires an individual of high intellectual calibre with considerable energy and a capacity for hard, focused, analytical work. The positions will be located in London initially. Applicants should send their C.V. to:

Box A612, The Financial Times, One Southwark Bridge, London SE1 9HL

FINANCIAL ANALYSIS SOFTWARE

Well established privately owned investment management company seeks numerate graduate to join their research team. The successful candidate will be responsible for designing and implementing a wide variety of quantitative financial analysis and market trading software.

Experience should include, a minimum of 2 years' software development in C in a UNIX environment and C++/Objective C would be a distinct advantage. Ideal candidates will currently be working for a CTA and have an interest in markets.

Negotiable salary and performance package.

Interested applicants should apply in strictest confidence to Box A1980, The Financial Times, One Southwark Bridge, London SE1 9HL.

FOREIGN EXCHANGE

Experienced dealers are required by an established, international Foreign Exchange trading house, located in London and making markets 24 hours a day in the major currencies and crosses.

Depending on experience, the position of Chief Dealer may be offered to one of the successful candidates.

Appropriate salaries will be negotiated.

Please apply to Box A1982, The Financial Times, One Southwark Bridge, London SE1 9HL.

To £70,000 + bonus + benefits *Major International Bank* *City*

Project Finance Advisory

This market leader has an outstanding reputation in the advisory field and continuous growth requires a new team leader to cover mandates originated from the UK and Europe. The Bank advises on the full range of infrastructure projects across a number of continents and success has led to an undisputed position in the league tables. This is a rare opportunity to join an expert and highly profitable group.

THE ROLE
- Market the Bank's expertise in advisory work on private finance infrastructure to governments, contractors, suppliers and other advisors in the UK and Europe.
- Originate and execute advisory mandates across a wide range of projects including water, waste, power, transport and telecommunications.
- Establish a reputation for quality work by demonstrating technical excellence and leading a small transaction team. Reports to Head of Project Finance Advisory.

THE QUALIFICATIONS
- High calibre graduate with an engineering background or an MBA. Minimum of five years in a project finance advisory or lending role. Second European language useful.
- Proven transaction history with essential experience of advising on financial and contractual aspects of major projects. Exposure to water, waste and power projects preferable.
- Strong marketing bias combined with technical expertise. Stature and credibility to win mandates.

London 071 973 0889
Manchester 061 437 0375

Selector Europe
A Spencer Stuart Company

Please reply, enclosing full details, to: Selector Europe, Ref. F"0291121, 16 Connaught Place, London W2 2ED

DERIVATIVES ADMINISTRATION MANAGER

c£50,000 + Attractive Benefits Package

We represent a global broking firm - a member of LIFFE, MATIF and all US exchanges. They are seeking to appoint a Senior Manager to their expanding derivatives group. This position will hold a high level of responsibility reporting directly to the Managing Director. Responsible for all the day to day broking activity the role will include accounting, operations, compliance, and coordination of all tax and legal work.

Applicants must have at least 10 years business experience of which 5 years must have been gained within the futures industry. The successful candidate, a graduate and qualified accountant, will demonstrate the ability to manage a large number of staff working within different disciplines.

This is a significant career opportunity for a strong team leader with excellent communication skills.

Please contact Jonathan Hawes on 071-623 1266.

Jonathan Wren & Co. Limited, Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP Telephone 071-623 1266 Facsimile 071-626 5259

JONATHAN WREN EXECUTIVE

GRACE

Grace is the world's largest specialty chemicals company with a leadership position in health care. With leading edge technologies, our success derives from a commitment to customer satisfaction through the quality of our products and services and, above all, from our worldwide team of people.

the freedom to succeed

We seek a lawyer for the position of

European Legal Counsel

to join the existing three-lawyer team at our European headquarters in Lausanne, Switzerland.

YOUR RESPONSIBILITIES
This position requires independence and involves a full range of legal services, focusing primarily on a wide variety of commercial agreements to support the expansion of our technology and product base.
Your role in Grace goes beyond drafting and legal work; you are expected to contribute to the success of the projects in which you participate as a team member. The position requires some travel within Europe.

YOU
You have had at least five years' post-qualifying experience, either in a leading law firm or as in-house counsel, preferably in a multinational company.
You are not only an excellent lawyer, but you also like to be a team player. You have good communication and coordination abilities. You have an international outlook and sound business judgment.
You are well-organised and able to manage a large number of projects simultaneously. Articulate written and spoken English are essential, and a sound knowledge of EEC competition law and a European legal background would be assets.

YOUR FUTURE
Grace rewards energy and initiative. The position offers the scope to the right person to assume broader international responsibilities within our company.

If this position is of interest to you, please send (in confidence) your curriculum vitae, details of your current remuneration and a letter explaining your interest in the position to:

Grace Industrial Chemicals Inc.
Véronique Klein, Personnel Manager
Avenue Montchoisi 35, CP 780
CH-1001 Lausanne, Switzerland

INTERNATIONAL INVESTMENT HOUSE
HEAD OF COMPLIANCE
London **Excellent Package**

Our Client, a major player in the international securities arena, highly prominent in financial markets worldwide, seeks an experienced compliance officer to manage its Compliance Department.

The work of the Department involves providing advice and support on all aspects of regulation to all the Company's business areas – fixed income, equity and derivative sales and trading, investment banking, syndication and research. The successful candidate will have a thorough grounding in the regulations relating to financial services, including those concerning the SFA, IMRO, LIFFE and the London Stock Exchange; such experience is likely to have been gained in another quality finance house. Well developed managerial and organisational skills are essential qualities for success in this role and knowledge and experience of US securities regulations would be a significant advantage.

This is an exceptional opportunity and the successful candidate will be offered a salary and benefits package which reflects the importance of the role.

For further information in complete confidence, please contact Stephen Rodney or Deborah Dalgleish on 071-405 6062 (071-354 3079 evenings/weekends) or write to them at Quarry Dougall Commerce and Industry Recruitment, 9 Brownlow Street, London WC1V 6JD. Confidential fax: 071-831 6394. Initial discussions can be held on a no names basis.

QD
QUARRY DOUGALL

UNITED KINGDOM · HONG KONG · NEW ZEALAND · AUSTRALIA · USA

FINANCIAL RISK MANAGEMENT CONSULTANT

£25-40,000 + bonus + benefits

Our client is a highly profitable and well respected financial consultancy backed by one of the world's leading insurance brokers. Global consultancy services focus on the provision of statistical and financial analysis for clients within the Insurance, Energy and Retail sectors, in addition to local government. Advice in respect of complex insurance programmes is provided, concentrating on risk financing alternatives. An additional London-based team member is now required to assist with European development and spearhead the development of financial risk management techniques.

With an excellent academic record (MBA, first/upper second degree) applicants, aged 28-38 years, should clearly demonstrate proven and innovative analytical skills combined with business development experience. Technical ability and a sound knowledge of investment banking products will have been gained within a banking or financial consultancy environment where complex negotiations require an understanding of corporate taxation and legal issues. Previous European involvement together with an additional language would prove of particular interest.

Please contact Jill Backhouse or Marcella Tuson
All applications will be treated in strict confidence.

Jonathan Wren & Co. Ltd., Financial Recruitment Consultants
No. 1 New Street, London EC2M 4TP
Tel No. 071-623 1266 Fax No. 071-626 5258

JONATHAN WREN INSURANCE

Manchester Exchange & Investment Bank Limited

Founded 1876

CREDIT ANALYST - RISK MANAGER

– London Based –

The continued development within Manex of services designed specifically for our corporate clients has created the opportunity for an experienced Credit Analyst - Risk Manager.

In addition to conventional financial analysis and assessing corporate finance risk, the position demands the ability to liaise and negotiate at senior level with both bankers and corporate clients, and to develop the bank's consultancy funding and debt management business.

Ideally the candidates will be aged between 28 and 35 and have broad exposure to the UK corporate and financial sectors.

A competitive benefits package is offered. Please write with full career details to the Company Secretary at:

Manchester Exchange and Investment Bank Ltd.
International House
1 St. Katharine's Way
London E1 9UN

A Member of the SFA

RIYAD BANK
Saudi Arabia

Riyad Bank, one of the largest and most prominent banks in the Middle East with a network of over 160 branches in Saudi Arabia, is offering excellent opportunities in various areas of the Bank, based at its Head Office in Riyadh. Extensive changes are underway in the Bank's technology and applications environment which will either vastly expand the Bank's current IBM environment or supplement it with alternative competitive technology. To implement these changes the following critical positions in the organisation will need to be filled forthwith:

DOMESTIC BANKING SENIOR PRODUCT MANAGER

Job requirements:

- A University or College Degree or equivalent
- 5 years retail banking experience
- 5 years retail banking systems experience
- 3 years project management experience
- Good communication skills
- Strong analytical, planning and organisational skills
- Fluency in English, knowledge of Arabic would be useful

Key responsibilities include:

- Product Planning
- Project Sponsoring and Prioritization
- Functional Requirements
- Project Acceptance
- User Documentation

TECHNICAL CONSULTANT SWIFT/ST400

Job requirements:

- A University or College Degree or equivalent
- At least 5 years experience with DEC/VAX VMS, including installation, implementation and operations expertise
- Implementation and operations experience with SWIFT II. Should have installed ST400 and SWIFT II in at least three other banks
- Experience networking multiple local and remote terminals from the ST400
- Ability to train technical personnel in the operations and maintenance of ST400/VMS environment
- Ability to identify and communicate procedural requirements for ST400/VMS/SWIFT II environment (for purpose of documenting the required procedures)

Major responsibilities:

- Installing ST400 hardware (DEC)
- Install, operate VMS operating system
- Install SWIFT Software (SWIFT II)
- Train Bank's personnel in operations of ST400/SWIFT II environment
- Six months contract, with an option for a further six months.

RISK ASSESSMENT OFFICER

Job requirements:

- A University or College Degree or equivalent
- Fully conversant with credit and risk control parameters and use of interest rate and FX management tools in an automated environment
- Good communication skills
- Line management experience in the banking industry
- Fluency in English, knowledge of Arabic would be useful

Key responsibilities include:

- Preparation and establishment of credit lines and country limit structures
- Setting up and monitoring credit risk controls associated with Treasury Products and all categories of interbank products and markets
- Identifying user needs and control structures and applying these requirements to upgrade automotive capabilities within a range of Treasury operations
- System management reporting of exposure covering group, country, region and product (Money Market FX/Derivatives)

EQUITY INVESTMENT SYSTEMS PRODUCT MANAGER

Job requirements:

- A University or College Degree or equivalent
- Fully conversant with local and foreign investment i.e. mutual funds, share trading in an automated systems environment
- Fully acquainted with accounting, book-keeping, reporting and compliance issues relating to the investment products
- Good communication skills and ability to transfer business needs into systems requirements
- Fluency in English, knowledge of Arabic would be useful

Key responsibilities include:

- Product Planning
- Project Sponsoring and Prioritization
- Functional Requirements
- Project Acceptance
- User Documentation
- Maintaining thorough knowledge of the Division's products and currency with the systems application of these products throughout the automation process

PRODUCT MANAGER ACCOUNTS DIVISION

Job requirements:

- A University or College Degree or equivalent
- At least 5 years experience at Managerial level
- Experience of Accounting Policies, Procedures, Strategic Planning and Information Technologies
- Experience in Financial Control, Regulatory and Management Reporting
- Technical background in G/L system implementation and interfaces with other banking applications, preferably Dun & Bradstreet

Major responsibilities:

- Systems implementation for the General Ledger and building interfaces with other applications
- Corporate-wide responsibility for the G/L

MANAGER - METHODS & PROCEDURES DEPARTMENT

Job requirements:

- A University or College Degree or equivalent
- 5-10 years of directly related experience in an international banking environment
- Solid background in retail branch banking operations including a thorough knowledge of the workflows for offering new products, servicing existing products, teller and vault operations, and accounting in a branch banking environment. Knowledge of international banking products would also be beneficial
- Good inter-personal skills and strong analytical, planning/organisational, communication and time-management qualities

Key responsibilities include:

- Managing a department which analyzes workflows of a branch banking environment and develops and distributes written operational procedures including policies, flowcharts and forms
- Coordinating the development of action plans, establishing goals and objectives in conjunction with enhanced procedures and form development, along with the framework of the Bank's overall objectives

Fully competitive compensation packages will be offered to the successful candidates.
Applications should include current salary and benefits and should be directed either in writing or by fax to:

RECRUITMENT DEPARTMENT, RIYAD BANK, P.O. BOX 22613, RIYADH 11416, SAUDI ARABIA, FAX NOS: 01 405 7353, 01 404 0689

Compliance Officer

Investment Management

This is an opportunity to take responsibility for the compliance function in an international investment management company with an outstanding record of growth and fund performance. Whilst the initial emphasis of the job will be on the maintenance and further development of regulatory compliance procedures for the company's UK operations, the company views compliance as an important function and expects the compliance officer to adopt a broad, proactive approach to the role.

Reporting directly to the Financial Director, this London-based position is likely to appeal to candidates who are either currently working in a compliance or audit capacity within a financial services environment or who have gained experience with a regulatory body. Applicants should be of graduate calibre, possibly with an accountancy qualification. A constructive approach and well developed communication skills are essential requirements.

If you would like to be considered for this opportunity please write in confidence to:

IMR Recruitment Consultants,
1 Northumberland Avenue,
Trafalgar Square, London
WC2N 5BW (tel: 071-872 5447).

IMR INVESTMENT MANAGEMENT RESOURCES

C•ATS Software

C•ATS, a global leader in Workstation Software for Derivatives Finance is expanding. This is your chance to join a young, exciting technology leader and enjoy exceptional compensation and growth opportunities.

Sales Executive: Experience in Derivatives and/or sophisticated Financial Systems Sales to Banks. London, Geneva, Frankfurt and Paris opportunities.

Client Services Executive: Derivatives Operations' background coupled with technology expertise in networks or UNIX. Tokyo, London and Geneva based opportunities including a Geneva Management position.

Administrative Manager: Previous experience in all phases of office management for a software or technology sales and service office, including licensing contracts, accounting, recruitment, benefits, facilities, and travel. London based.

Reply in confidence with C.V. to Managing Director, C•ATS Software Ltd., The Old Trading House, 15 Northburgh Street, Second Floor, London, EC1V 0AH, UK.
Fax: (071) 490-0389

C•ATS Software

DEPUTY CHIEF CREDIT OFFICER

A well established U.K. merchant bank requires a Deputy Chief Credit Officer.

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COMMODITIES AND AGRICULTURE

Coffee surges to fresh 9-month high

By David Blackwell

LONDON'S ROBUSTA coffee market continued to rally strongly yesterday, with the January contract breaching resistance at $950 a tonne to hit a nine-month high of $955.

In New York the December arabica contract was up more than 2 cents at 67.45 cents a lb in late trading.

Last week the London market briefly touched $950 a tonne, partly on reports of a smaller Brazilian crop. But the inevitable technical correction set in, and dealers, pointing out that the market had risen $200 in just two months, were hoping towards the end of the week that the January price would hold above $900 a tonne.

The recent recovery also appears to be technical. "This is a beautifully trending market," said Ms Judith Ganes, analyst with Merrill Lynch in New York. However, she noted that prices, while well above the summer's 20-year lows, remained relatively depressed. "We are only just beginning to dig out of the hole."

E.D. & F. Man, the London trade house, suggested in its latest coffee report that, with producers delaying sales in expectation of even higher prices there appeared to be plenty of scope for further gains.

Man now estimates the 1992-93 Brazilian crop at 19.15m bags (60 kg each) – at the low end of expectations but above the Brazilians' own estimate of 18.9m bags. This is thought by most analysts to be the biggest single fundamental factor in coffee's recent rise.

F.O. Licht, the German statistician, on Monday estimated Brazilian production at 20m bags, down from 27.9m bags in 1991-92. Total world output was put at 93.3m bags, down from 102m last year.

However, stocks are high. On Tuesday US certified stocks for delivery against New York hit a record 5.33m bags. As Licht put it: "Even though coffee production is forecast to decline this season, the road to recovery will be painful and slow as there is still too much coffee around".

Alusaf swims against the tide

Philip Gawith on South Africa's record-breaking aluminium project

A FAVOURABLE power contract, shareholder support and scale benefits lie behind the announcement yesterday by Alusaf, the aluminium producer in the South African Gencor group, that it is to proceed with the R7.2bn (£1.6bn) construction of a 466,000 tonnes a year aluminium smelter, the largest ever built in the western world.

The announcement comes against the background of a deep recession in the world aluminium industry, with about 65 per cent of world smelting capacity uneconomical at current prices of less than $1,200 a tonne. However, it also follows on the heels of a number of predictions that there will be a shortage of metal by the middle of the decade, when the Alusaf expansion comes on stream.

Mr Harry Helton, executive vice president, minerals and metals, at Reynolds Metals, the second largest of the US aluminium groups, recently predicted that the western world's aluminium industry needed to build 13 new smelters of about $1bn each by the year 2002 if it was to keep pace with demand. There are, however, no other significant expansions of capacity planned at the moment because the depressed state of the industry makes it difficult to approach shareholders for money. Mr Helton said the industry needed a sustained price of about $1,800 a tonne before it could reasonably start investing again.

Alusaf was not immune to this problem. The original plan was to raise about R3bn of equity finance for the project, of which R1bn was to come from Gencor and R800,000 from the Industrial Development Corporation. The remaining R1.2bn was to come from local institutions. In fact, eight local institutions were in the end only prepared to put up R500,000 towards the project, with about 80 per cent of this coming from Old Mutual and

Brian Gilbertson: Alusaf envisages both upstream and downstream expansion

Sanlam, the two giant mutual insurance companies. The R700m shortfall was made up by Gencor, including its investment arm Genbel, putting up another R225m, the IDC investing a further R175m and Escom, the electricity utility, putting up R300m of convertible loan finance.

What, however, has allowed Alusaf to proceed where others are showing greater caution? The answer to this question begins not with Gencor or Alusaf, but with Escom. Over-optimistic predictions made during the 1970s of economic growth in South Africa have landed the country with excess generating capacity of about 8,000 Mw out of installed capacity of about 38,000 Mw. Escom's need to recover some of this sunk investment created a "window of opportunity" in the form of assisting Alusaf to negotiate a favourable power supply deal, which is the cornerstone of the project. The *quid pro quo* is that Alusaf will use about 16 per cent of Escom's spare capacity, improving the latter's financial position in the process.

Alusaf has negotiated a variable tariff with Escom based upon the LME aluminium price. According to Mr Fred Roux, the chairman, Alusaf would, taking an average aluminium price last year of about $1,300 a tonne, have spent $202 a tonne on its power compared with a world average power cost of $320 a tonne for aluminium producers.

Alusaf has also negotiated competitive alumina (aluminium oxide) supply contracts with Alcoa, the world's lowest-cost alumina producer, and Billiton, a subsidiary of the Royal Dutch/Shell group, for the 900,000 tonnes a year of alumina required. Taken together, these two costs – power and alumina – will always absorb about 41 per cent of the aluminium selling price, leaving a fixed gross margin for other costs and profits. The effect of these contracts is to lower the risk profile of the project, smoothing out variations in earnings from aluminium sales. On a base case aluminium price of $1,650 per tonne, the project will offer a real rate of return of about 8 per cent.

Apart the from low input costs, the size of the project is also crucial. The optimum smelter size in the world today is 233,000 tonnes a year. Alusaf will be the first producer to build a double configuration simultaneously, and this will provide significant cost advantages. Taken together with the old smelter, which will be upgraded, Alusaf will at full production produce 680,000 tonnes a year.

From the point of view of Gencor, the project is a crucial step into the mineral beneficiation arena where, it is widely held, the future of South Africa's mining and metals industry is to be found. It also offers an important platform for the internationalisation of the group's activities, an oft-stated ambition. Mr Brian Gilbertson, Gencor's chairman, made clear yesterday that the company envisages Alusaf expanding upstream into alumina and bauxite and downstream into rolled, extruded and fabricated products. This will necessarily require offshore investments because there are no bauxite deposits of note in South Africa and downstream activity tends to be situated close to the markets.

Mr Gilbertson said yesterday that Gencor was comfortable with its R1.125bn exposure in the project, which represents less than half of its current cash and readily available liquid resources.

A novel feature of the project is the attempt to involve financial institutions at the start, partaking in the risk and forfeiting the prospect of any returns for about four years. Traditionally mining houses have developed projects and then sold them on for a profit. This project, however, was too large for Gencor to finance alone, hence the involvement of the institutions. Their lukewarm response indicates the difficulty many of them found in reconciling involvement in Alusaf with their traditional commitment to obtain the best available returns for policy holders in the short-term.

To overcome this funding gap in future, it is quite conceivable that the government will enact legislation requiring that a portion of institutional cash-flows be dedicated to such projects. There have already been noises from government to this effect.

The project has been given go-ahead after accepting the recommendation of an independent environmental assessment that the new smelter be moved from a preferred site to an alternative location in Richards Bay, the East coast port where Alusaf is situated. Mr Roux said this had cost "many tens of million rand".

The project will not, as originally planned, be listed on the stock market yet, so as to to avoid the possibility – probability in current circumstances – of it trading at a discount following listing. A later listing will be pursued.

Cocoa pact settlement remains out of reach

By Frances Williams in Geneva

TWO WEEKS of talks between cocoa producing and consuming countries on a new price-stabilising international agreement are set to end inconclusively today. The 45 countries taking part in the United Nations-sponsored talks will return to Geneva in February for a fourth and final attempt to conclude an accord to replace the 1986 pact, which expires in September 1993.

The past fortnight has seen a significant narrowing of the gap between producers and consumers on the maximum amount of cocoa that could be withdrawn from the market to help defend whatever price range is set by the agreement. Consumers have now proposed 330,000 tonnes, up from 300,000 tonnes when the meeting began. Producers have asked for 380,000 tonnes, down from 600,000.

But, despite some movement on both sides, the gulf between producer and consumer price proposals remains dauntingly wide. And there has been virtually no progress on the thorny issue of financing the new accord.

On Monday, producers proposed a price band of SDR1,180-1,770 a tonne with a median price of SDR1,475, down from a median price of SDR1,820 at the start of the meeting. Consumers raised their price offer by just SDR50 last week to a median price of SDR1,050 in a price band of SDR840-1,260 a tonne.

Conference delegates said yesterday that consumers had some modest flexibility to raise their price offer but this went nowhere near to satisfying producer demands. The offer already surpasses the current market price for cocoa, equivalent to about SDR815 a tonne.

On financing, producers want equal contributions from the two sides via a levy system. However, the European Community, at the insistence of Britain, the Netherlands and Germany, continues to press for funds to come from existing assets in the first instance. These assets comprise mainly arrears of contributions to the present agreement by producers, notably the two biggest, Ivory Coast and Brazil, and the 240,000 tonnes of cocoa held in the buffer stock.

The EC, which accounts for 40 per cent of world consumption, is the most important consumer at the Geneva talks, in the absence of the US.

'Russia holds key to nickel market balance' – Inco

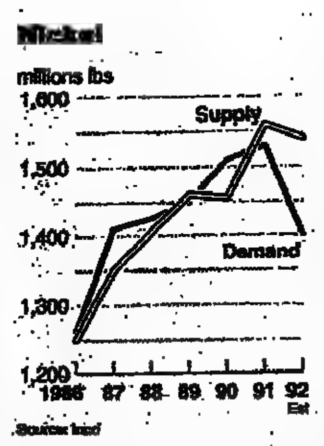
By Bernard Simon in Toronto

FALLING NICKEL production and record stainless steel output could contribute to an improved balance between world nickel supply and demand next year, according to Inco of Canada, the biggest producer of the metal.

Inco, acknowledges however, that its forecasts depend heavily on a reduction in "back door" exports from Russia and other parts of eastern Europe, which have severely disrupted the market this year. This material, often smuggled or disguised as scrap, has fuelled a slump in nickel prices on the LME by nearly $3,000 from the $8,500 a tonne ruling two years ago.

At the London Metal Exchange yesterday the nickel price for delivery in three months fell by $32.50 to $5,590 a tonne, $50 above the 4¾-year low reached earlier in the week.

Mr Ivor Kirman, marketing director of Inco Europe, told an investors meeting in Toronto that the tone of the nickel market would be improved if a higher proportion of Russian exports were shipped through



traditional channels, rather than the growing "grey" market.

Responding to an analyst's warning that "if you block one hole, it will come out another hole," Mr Kirman said that greater use of official channels by eastern European exporters "would at least avoid confusion, corruption and demoralisation" in the market.

He estimated that some European consumers now depended on supplies from the east for up to 80 per cent of their nickel needs.

Inco is confident that, depending on the level of Russian exports, demand for primary nickel from western producers will be higher next year than the 1.4m lbs estimated for 1992. Cutbacks by suppliers in response to lower prices means that nickel supplies "are unlikely to be greater than 1992, and could be significantly lower," Mr Kirman said. Inco estimates total supplies this year at 1.54m lbs, down from 1.56m lbs in 1991.

Inco has responded to the present glut by cutting planned 1993 production to 380m lbs of finished nickel, from an estimated 405m lbs this year. Mr Michael Sopko, chief executive, said that "if over-supply continues to grow, we will take further action". But the company also emphasised its ability to step up long-term production when the market recovered.

The sites of future expansion would include PT Inco in Indonesia, the moth-balled Exmibal mine in Guatemala, two properties in Brazil, and vast reserves in New Caledonia. Inco reiterated its determination to maintain a share of about 25 per centr of the world nickel market.

Platinum price forecasts cut

By Kenneth Gooding, Mining Correspondent

JOHNSON MATTHEY, the world's biggest platinum marketing group, has scaled down its short-term forecasts for the metal's price because of the effects of recession on the Japanese, the biggest platinum buyers.

Earlier this year the company forecast that the price would be rising towards $400 a troy ounce by the end of 1992, but this underestimated the impact of collapsing property and equity prices on rich Japanese. It now expects the average for the fourth quarter of this year to be about $370 an ounce, rising to $385 in the first quarter of 1993.

Sales of large investment platinum bars in Japan were badly affected by the uncertainties created by the market collapse and JM expects demand for these bars to drop to 90,000 ounces this year from 240,000 ounces in 1991.

Also, a sharp fall in sales of high-quality and expensive platinum jewellery in Japan is forcing retailers to adjust stock levels. Sales of simple, cheaper platinum jewellery in Japan continue to be buoyant, however, and JM predicts that overall demand from jewellers will drop this year by only 10,000 ounces to 1.46m ounces.

According to Mr Jeremy Coombes, author of JM's interim market review, published yesterday, platinum supply and demand are closely balanced. He forecasts a supply surplus of about 30,000 ounces compared with one of 135,000 ounces in 1991.

The total platinum market will be smaller this year, says Mr Coombes, with both supply and demand contracting. Demand is forecast to be 3.86m ounces, down from 4.025 ounces last year, and supply 3.89m ounces, down from 4.16m.

Recession in many industrialised countries will cause a 5 per cent fall in industrial demand for platinum, to 760,000 ounces. But, despite recession, tightening anti-pollution legislation affecting cars in Europe and North America will see demand for platinum in automotive exhaust catalysts rising by 6.1 per cent this year to a record 1.655m ounces.

This means non-investment demand for the metal is heading for the ninth successive year of growth, says JM.

On the supply side, Mr Coombes suggests that Russian platinum exports, which spiralled out of control in 1991, are now strongly constrained by the authorities and JM therefore expects these exports to fall by nearly one third this year – to about 750,000 ounces compared with 1.1m ounces in 1991. In 1990 Russia exported about 720,000 ounces.

Also, a year ago JM expected South African producers to supply more than 3m ounces to the market in 1992. This estimate is trimmed in the review to 2.82m ounces, a rise of only 1.8 per cent on the 1991 level. A combination of industrial and political action, technical problems, mining inefficiencies and difficult ground has disrupted production and expansion programmes and developments have been delayed.

Mr Coombes says: "Returns are now inadequate to provide funds for future investment and, without a recovery in prices, there could be more delays in expansions or even cuts in production at high-cost areas".

The review suggests the palladium market will see a supply deficit of 110,000 ounces and the metal's prices should therefore remain firm. Rhodium will be in surplus by 13,000 ounces, partly because of de-stocking by Japanese car makers.

Platinum 1992 Interim Review, free from Johnson Matthey, 78 Hatton Garden, London EC1N 8JP, UK.

WORLD COMMODITIES PRICES

MARKET REPORT

THE **PLATINUM** price staged a modest rally yesterday, underpinned by a mildly bullish interim market review from Johnson Matthey, the biggest marketer of the metal (see story above). The price was fixed in the afternoon at $351 a troy ounce, up $3.75 from Wednesday, but that was still $15.50 down on the week so far. Dealers said, however, that platinum would have difficulty making headway while gold and silver prices remained depressed. The **GOLD** price edged another 90 cents higher on short-covering to reach $333.05 an ounce, still 95 cents down on the week. **SILVER** closed at 368.5 cents an ounce, unchanged on the day but 24 cents lower on the week. Base metals were mixed at the London Metal Exchange, with **LEAD, NICKEL** and **ALUMINIUM** prices lower, but **ZINC, COPPER** and **TIN** registering modest gains. The zinc market reversed a sharpish early fall, which ran into trade buying, to close $8 up at $1,062.50 a tonne for three months delivery.

Compiled from Reuters

London Markets

SPOT MARKETS		
Crude oil (per barrel FOB)(Dec)		+ or -
Dubai	$17.50-7.60u	-.175
Brent Blend (dated)	$19.15-9.20	-.225
Brent Blend (Dec)	$19.20-9.25	-.225
W.T.I (1 pm est)	$20.25-0.30u	-.275
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$207-209	
Gas Oil	$186-187	+1
Heavy Fuel Oil	$93-95	
Naphtha	$191-192	-2
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$333.05	+0.90
Silver (per troy oz)♣	368.50c	
Platinum (per troy oz)	$351.0	+3.75
Palladium (per troy oz)	$94.0	+1.5
Copper (US Producer)	100.5	+1
Lead (US Producer)	33.50c	
Tin (Kuala Lumpur market)	14.21r	+14
Tin (New York)	265.5c	+1
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	112.13p	+2.07*
Sheep (live weight)†♣	73.92p	+0.34*
Pigs (live weight)†	69.04p	-3.89*
London daily sugar (raw)	$226.0z	
London daily sugar (white)	$261.5z	-2
Tate and Lyle export price	£258.0	+0.5
Barley (English feed)	£127.5u	
Maize (US No. 3 yellow)	£146.0	
Wheat (US Dark Northern)	Unq	
Rubber (Dec)♥	83.25p	
Rubber (Jan)♥	83.25p	
Rubber (KL RSS No 1 Dec)	223.5m	
Coconut oil (Philippines)§	$512.5y	
Palm Oil (Malaysian)§	$417.5x	+2.5
Copra (Philippines)§	$332.5	-2.5
Soyabeans (US)	£166.0z	+2
Cotton "A" Index	52.10c	-0.55
Wooltops (64s Super)	416p	+2

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jan/Mar. y-Jan/Feb u-Dec. w-Oct/Nov. z-Nov/Dec. †Meat Commission average fatstock prices. * change from a week ago ♥London physical §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♣Sheep prices are now live weight prices.

SUGAR – London FOX			($ per tonne)
Raw	Close	Previous	High/Low
Dec	197.00		195.00
Mar	195.00	196.00	193.00
May	197.00	199.00	197.00
Aug	198.00		198.00
White	Close	Previous	High/Low
Dec	260.30	261.00	261.50 259.60
Mar	257.40	258.00	257.90 257.00
May	260.30	260.50	259.90 259.60
Aug	266.00	268.00	265.40 265.00
Oct	254.90	254.60	254.00

Turnover: Raw 28(31) lots of 50 tonnes. White 1548 (1405) Paris- White (FFr per tonne): Dec 1407.97 Mar 1405.72

CRUDE OIL – IPE			$/barrel	
	Latest	Previous	High/Low	
Dec	19.24	19.38	19.40	19.18
Jan	19.29	19.43	19.44	19.25
Feb	19.28	19.45	19.44	19.27
Mar	19.27	19.37	19.37	19.26
Apr	19.25	19.34	19.28	19.25
May	19.24	19.26	19.24	19.17
Jul	19.15	19.25	19.15	
IPE Index	19.49	19.55		

Turnover 26500 (30575)

GAS OIL – IPE			$/tonne	
	Close	Previous	High/Low	
Nov	181.00	181.00	181.50	179.25
Dec	182.75	182.75	183.25	181.75
Jan	184.50	184.25	184.50	183.25
Feb	184.75	184.75	185.00	183.50
Mar	181.50	181.50	182.25	180.75
Apr	177.50	177.75	178.00	177.50
May	175.00	175.00	175.00	175.00
Jun	173.75	174.00	174.75	173.75
Jul	175.25	175.00	175.75	175.00

Turnover 18120 (21783) lots of 100 tonnes

FRUIT & VEGETABLES

Washington Red Delicious apples are a star fruit buy this week reports the FFVIB at 50-60p a lb. French Granny Smith at 35-45p a lb and English Cox at 35-45p a lb are also star buys. English conference pears at 35-45p a lb, Comice pears at 40-50p a lb, Spania grapes at 55-60p a lb and bananas at 45-60p a lb all remain of the highest quality. English Cauliflowers at 35-50p each are plentiful. Carrots at 15-20p a lb, parsnips at 25-30p a lb onions at 15-25p a lb, and swede at 15-25p. Crunchy celery at 35-45p a head is superb this week, together with tomatoes at 55-65p a lb.

COCOA – London FOX			£/tonne	
	Close	Previous	High/Low	
Dec	720	725	721	714
Mar	748	750	751	740
May	766	767	765	757
Jul	782	783	782	774
Sep	798	800	799	791
Dec	821	825	821	816
Mar	845	847	845	837
May	863			

Turnover: 4751 (5047) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Nov 11 775.58 (782.86) 10 day average for Nov 12 788.68 (795.93)

COFFEE – London FOX			$/tonne	
	Close	Previous	High/Low	
Nov	922	903	920	907
Jan	956	937	955	938
Mar	967	951	968	951
May	957	936	957	937
Jul	964	944	963	950
Sep	975	952		

Turnover:4403 (5165) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Nov 11: Comp. daily 55.75 (54.60) 15 day average 55.69 (55.61)

POTATOES – London FOX			£/tonne	
	Close	Previous	High/Low	
Apr	90.0	85.0	85.0	84.5
May	89.0		89.0	

Turnover 141 (127) lots of 20 tonnes.

SOYAMEAL – London FOX			£/tonne
	Close	Previous	High/Low
Jun	141.50	142.50	

Turnover 0 (125) lots of 20 tonnes.

FREIGHT – London FOX			$10/index point	
	Close	Previous	High/Low	
Nov	1240	1240	1240	1232
Dec	1250	1255	1250	1250
Jan	1291	1290	1291	1285
Apr	1303	1305	1305	1303
Jul	1160	1152	1160	1155
Oct	1340	1350	1340	
BFI	1172	1163		

Turnover 122 (259)

GRAINS – London FOX			£/tonne	
Wheat	Close	Previous	High/Low	
Nov	129.50	129.50	129.50	
Jan	132.10	131.20	132.10	131.60
Mar	135.00	134.15	135.00	134.25
May	137.75	136.90	137.75	137.50
Sep	105.85		105.85	105.75
Nov	108.00		108.00	
Barley	Close	Previous	High/Low	
Jan	130.60	129.95	130.75	130.25
Mar	133.50	133.00	133.50	133.10

Turnover: Wheat 582 (224), Barley 184 (229). Turnover lots of 100 Tonnes.

PIGS – London FOX		(Cash Settlement) p/kg	
	Close	Previous	High/Low
Apr	107.0	107.0	106.5

Turnover:1 (6) lots of 3,250 kg

LONDON METAL EXCHANGE						(Prices supplied by Amalgamated Metal Trading)
	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Total daily turnover 66,445 lots
Cash	1159-60	1162-64		1160-60.5		
3 months	1183-84	1187-88	1212/1177	1185-86	1178-79	181,087 lots
Copper, Grade A (£ per tonne)						Total daily turnover 40,541 lots
Cash	1410-12	1406.5-08.5		1400-01		
3 months	1432-33	1432-33	1431/1423	1424-25	2151-55	158,096 lots
Lead (£ per tonne)						Total daily turnover 2,718 lots
Cash	293-94	299-300		294-4.5		
3 months	304.5-05	309.5-10	309/305	305.5-06	305-06	25,163 lots
Nickel ($ per tonne)						Total daily turnover 7,795 lots
Cash	5515-25	5550-55		5495-97		
3 months	5585-95	5620-25	5640/5580	5570-75	5590-00	35,928 lots
Tin ($ per tonne)						Total daily turnover 2,965 lots
Cash	5820-30	5740-45	5795	5790-800		
3 months	5860-70	5780-85	5860/5810	5830-40	5875-80	10,556 lots
Zinc, Special High Grade ($ per tonne)						Total daily turnover 28,861 lots
Cash	1040-42	1032-34		1029-30		
3 months	1062-63	1054-55	1064/1045	1049.5-50.5	1051-52	74,558 lots
LME Closing £/$ rate:						
SPOT: 1.5287		3 months: 1.5121		6 months: 1.5000		9 months: 1.4885

LONDON BULLION MARKET (Prices supplied by N M Rothschild)				
Gold (troy oz)	$ price		£ equivalent	
Close	332.90-333.20			
Opening	332.40-332.60			
Morning fix	333.20		218.678	
Afternoon fix	333.10		218.929	
Day's high	333.20-333.40			
Day's low	332.60-332.90			
Loco Ldn Mean Gold Lending Rates (Vs US$)				
1 month	1.84		6 months	1.96
2 months	1.84		12 months	2.44
3 months	1.87			
Silver fix	p/troy oz		US cts equiv	
Spot	242.45		368.75	
3 months	246.60		371.95	
6 months	250.05		375.10	
12 months	257.30		382.95	

GOLD COINS	$ price	£ equivalent
Krugerrand	332.50-335.50	219.00-221.00
Maple leaf	342.85-345.10	-
New Sovereign	79.50-82.50	52.00-54.00

TRADED OPTIONS				
Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Dec	Mar	Dec	Mar
1125	42	75	4	12
1175	11	43	23	30
1250	3	14	67	75
Copper (Grade A)	Calls		Puts	
2150	28	62	35	55
2200	10	40	68	83
2250	3	25	111	118
Coffee	Jan	Mar	Jan	Mar
900	67	92	11	25
950	36	62	30	45
1000	16	40	60	73
Cocoa	Dec	Mar	Dec	Mar
700	33	70	3	21
725	8	55	13	31
750	2	42	32	43
Brent Crude	Jan	Feb	Dec	Jan
1900	65	78	35	49
1950	40	51	47	66
2000	22	32	92	

New York

GOLD 100 troy oz.; $/troy oz.				
	Close	Previous	High/Low	
Nov	332.0	331.7	333.5	332.0
Dec	333.5	332.1	334.1	332.2
Jan	334.1	332.7	0	0
Feb	334.7	333.4	335.3	333.5
Apr	336.0	334.7	336.5	335.4
Jun	337.4	336.2	337.9	336.5
Aug	339.0	337.8	339.0	339.0
Oct	340.7	339.6	0	0
Dec	342.6	341.5	342.5	341.6

PLATINUM 50 troy oz; $/troy oz.				
	Close	Previous	High/Low	
Jan	352.9	349.6	353.2	348.5
Apr	352.4	349.1	352.0	349.0
Jul	352.1	348.8	351.0	349.5
Oct	354.1	350.8	0	0

SILVER 5,000 troy oz; cents/troy oz.				
	Close	Previous	High/Low	
Nov	377.2	368.4	0	0
Dec	377.8	367.0	380.0	365.5
Jan	379.0	368.2	0	0
Mar	381.6	370.8	383.0	370.0
May	384.4	373.6	385.0	374.0
Jul	387.0	376.2	387.5	375.0
Sep	389.5	378.8	379.0	379.0
Dec	394.1	383.3	395.0	382.5
Jan	395.5	384.7	0	0
Mar	399.5	388.4	400.0	388.0

HIGH GRADE COPPER 25,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	95.05	96.25	95.05	95.00
Dec	95.40	96.60	95.75	95.00
Jan	95.80	96.95	96.00	95.60
Feb	96.20	97.30	96.30	96.10
Mar	96.60	97.60	96.85	96.20
Apr	96.90	97.90	0	0
May	97.35	98.30	97.50	97.20
Jun	97.70	98.60	97.90	97.70
Jul	98.05	98.90	98.30	98.00
Aug	98.35	99.20	98.70	98.60

CRUDE OIL (Light) 42,000 US galls $/barrel				
	Latest	Previous	High/Low	
Dec	20.19	20.47	20.42	20.17
Jan	20.29	20.55	20.49	20.26
Feb	20.30	20.56	20.51	20.29
Mar	20.31	20.55	20.50	20.33
Apr	20.30	20.53	20.46	20.31
May	20.30	20.50	20.46	20.30
Jun	20.31	20.47	20.43	20.31
Jul	20.31	20.44	20.43	20.31
Aug	20.32	20.41	20.32	20.32
Sep	20.26	20.39	20.32	20.31

HEATING OIL 42,000 US galls, cents/US galls				
	Latest	Previous	High/Low	
Dec	58.15	58.62	58.80	58.00
Jan	59.40	59.86	60.00	59.20
Feb	59.85	60.27	60.30	59.60
Mar	58.60	59.12	59.05	58.60
Apr	57.15	57.67	57.55	57.15
May	56.00	56.44	56.25	56.00
Jun	55.40	55.77	55.80	55.40
Jul	55.55	55.89	56.05	55.60
Aug	56.20	56.48	56.40	56.25
Sep	57.61	57.61	0	0

COCOA 10 tonnes;$/tonnes				
	Close	Previous	High/Low	
Dec	979	983	994	966
Mar	1027	1023	1039	1012
May	1059	1052	1063	1046
Jul	1083	1083	1094	1074
Sep	1108	1108	1116	1116
Dec	1141	1141	1145	1145
Mar	1175	1175	1168	1168
May	1204	1204	0	0
Jul	1234	1234	0	0
Sep	1257	1257	0	0

COFFEE "C" 37,500lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	67.25	65.25	67.95	65.35
Mar	69.40	67.30	70.00	67.60
May	72.25	70.50	72.90	70.60
Jul	73.65	72.05	74.20	72.50
Sep	75.00	73.60	75.60	74.40
Dec	77.35	75.90	76.45	76.45
Mar	79.50	78.25	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Mar	8.73	8.71	8.74	8.68
May	8.85	8.83	8.86	8.81
Jul	8.90	8.88	8.91	8.88
Oct	8.90	8.87	8.90	8.87
Mar	8.93	8.90	8.98	8.98

COTTON 50,000; cents/lbs				
	Close	Previous	High/Low	
Dec	54.90	54.96	55.30	54.37
Mar	55.70	55.70	55.60	55.25
May	56.55	56.65	56.65	56.20
Jul	57.60	57.55	57.80	57.25
Oct	57.90	58.25	58.05	57.85
Dec	58.10	58.37	58.25	57.90
Mar	58.65	59.00	0	0

ORANGE JUICE 15,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Nov	92.10	93.45	93.05	92.10
Jan	90.70	91.85	91.70	90.35
Mar	92.35	93.40	93.40	92.30
May	92.50	93.55	93.50	92.50
Jul	91.95	93.40	93.00	92.50
Sep	91.75	92.85	93.00	92.40
Nov	91.55	92.55	92.60	92.00
Jan	91.55	92.55	92.00	92.00
Mar	91.55	92.55	0	0

INDICES				
REUTERS (Base: September 18 1931 = 100)				
	Nov.12	Nov.11	mnth ago	yr ago
	1651.3	1658.6	1611.9	1624.8
DOW JONES (Base: Dec. 31 1974 = 100)				
	Nov.11	Nov.10	mnth ago	yr ago
Spot	114.38	114.15	114.59	112.96
Futures	116.32	115.68	115.09	121.82

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel				
	Close	Previous	High/Low	
Nov	558/0	558/4	559/2	555/4
Jan	560/6	561/4	562/4	558/2
Mar	567/2	567/6	569/6	564/4
May	573/6	574/0	574/4	570/6
Jul	579/6	580/0	580/2	576/6
Aug	581/4	581/0	581/4	580/0
Sep	580/4	581/4	581/0	579/0
Nov	589/2	589/2	589/0	585/4

SOYABEAN OIL 60,000 lbs; cents/lb				
	Close	Previous	High/Low	
Dec	20.48	20.34	20.49	20.19
Jan	20.56	20.43	20.57	20.26
Mar	20.72	20.59	20.76	20.47
May	20.89	20.74	20.90	20.61
Jul	20.99	20.87	21.00	20.72
Aug	20.90	20.80	0	0
Sep	20.87	20.70	0	0
Oct	20.90	20.75	0	0

SOYABEAN MEAL 100 tons; $/ton				
	Close	Previous	High/Low	
Dec	178.8	179.2	180.5	178.6
Jan	179.6	180.0	181.2	179.4
Mar	181.0	181.6	182.2	180.6
May	182.8	183.4	183.7	182.5
Jul	185.2	185.6	185.8	184.8
Aug	186.1	186.4	187.0	186.0
Sep	187.1	187.3	188.0	187.0
Oct	188.8	189.2	189.0	188.5

MAIZE 5,000 bu min; cents/56lb bushel				
	Close	Previous	High/Low	
Dec	210/2	208/6	210/6	208/0
Mar	220/2	218/2	221/0	218/0
May	227/6	226/0	228/0	226/0
Jul	233/0	231/2	233/2	230/6
Sep	237/0	235/4	237/2	235/2
Dec	242/0	240/2	242/2	240/2
Mar	248/6	247/2	248/6	247/0

WHEAT 5,000 bu min; cents/60lb-bushel				
	Close	Previous	High/Low	
Dec	366/2	365/6	368/6	363/4
Mar	364/4	362/2	364/6	360/0
May	343/4	344/0	344/4	341/0
Jul	317/2	317/0	317/4	315/2
Sep	323/0	322/4	323/0	321/0
Dec	333/0	333/4	333/0	332/0

LIVE CATTLE 40,000 lbs; cents/lbs				
	Close	Previous	High/Low	
Dec	74.125	73.750	74.200	73.775
Feb	72.250	72.025	72.275	72.025
Apr	72.560	72.350	72.575	72.350
Jun	69.375	69.200	69.400	69.275
Aug	68.225	68.050	68.300	68.175
Oct	68.700	68.475	68.700	68.525
Dec	68.950	68.725	69.000	68.950

LIVE HOGS 40,000 lb; cents/lbs				
	Close	Previous	High/Low	
Dec	43.250	42.825	43.325	42.950
Feb	43.350	43.000	43.400	42.850
Apr	40.875	40.700	40.925	40.600
Jun	45.075	45.000	45.125	44.900
Jul	44.650	44.550	44.850	44.500
Aug	43.475	43.350	43.500	43.350
Oct	40.450	40.425	40.450	40.325
Dec	42.475	42.400	42.500	42.400

PORK BELLIES 40,000 lbs; cents/lb				
	Close	Previous	High/Low	
Feb	42.150	41.425	42.250	41.150
Mar	42.275	41.400	42.350	41.150
May	43.650	42.950	43.650	42.750
Jul	43.875	43.450	43.975	43.150
Aug	42.975	42.700	42.975	0

LONDON STOCK EXCHANGE

Share prices anticipate the chancellor

By Terry Byland,
UK Stock Market Editor

THE UK chancellor of the exchequer yesterday delivered at least some of the good news which the London stock market had been anticipating. Late trading saw share prices consolidating the widespread gains achieved before Mr Norman Lamont began his speech to the House of Commons.

The FT-SE Index had already boiled over after an earlier gain of 37 points, before the chancellor rose to his feet, but after hesitating briefly, responded optimistically to his disclosure that domestic interest rates were being cut by one percentage point to 7 per cent.

Very modest profit-taking in the final minutes of the session brought a final reading on the FT-SE Index of 2,726.4 for a net gain of 29.6. The Footsie is now within 12 points of its previous closing high of 2,737.8, reached on May 11 when the UK stock market was still celebrating the re-election of Mr John Major's Conservative government.

Some doubts were expressed regarding the likely effectiveness of the chancellor's £4bn package to stimulate the flagging domestic economy. "We think it may not be enough to push the stock market significantly further," said Mr Ian Harnett of Strauss Turnbull.

Nor is the strategy team at BZW, the UK investment bank, expecting the stock market to move to significantly higher levels. BZW's Mr Richard Kersley commented that, with further base rate cuts likely to be less aggressive, financial stocks might now meet profit-taking; engineering shares, on the other hand, would benefit from the unexpected changes in capital allowances.

However, the stock market was pleased with the cut in base rates, the abolition of motor car tax and changes in capital allowance arrangements, and the moves to stimulate the housing market. Investment strategists expressed satisfaction with estimates of next year's Public Sector Borrowing Requirement and believed that another one-point cut in base rates would be possible early next year.

Mr Trevor Laugharne at Kleinwort Benson Securities said the chancellor had made "more than the best" of the situation and that he now saw the Footsie challenging the 2,800 mark earlier than previously expected, perhaps within a couple of weeks.

The stock market was in good form from the opening of the session, anticipating the chancellor's speech and also responding to good trading results from a handful of blue chip companies.

Oil shares moved up strongly in heavy turnover following good trading figures from Shell Transport. Also firm on profits news were BT and Royal Insurance, with the latter helping the financial sector by favourable comment on the mortgage indemnity situation.

Confirmation that the Jubilee Line extension to London's Tube rail network will go ahead, together with the release of some local authority housing cash, encouraged building and construction issues.

Store and retail shares were more cautious, however, and with the base rate reduction largely anticipated recorded only modest gains. Disappointment with the trading statement from Boots, the high street retailer turned the shares downwards, and Marks and Spencer and Kingfisher closed only a few pence up after early gains had attracted profit-taking.

TRADING VOLUME IN MAJOR STOCKS

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

Account Dealing Dates

*First Dealings:		
Nov 2	Nov 16	Nov 30
Option Declarations:		
Nov 12	Nov 26	Dec 10
Last Dealings:		
Nov 13	Nov 27	Dec 11
Account Day:		
Nov 23	Dec 7	Dec 21

*New time dealings may take place from 8.30am two business days earlier.

Building sector supported

THERE were no real shocks for a building and contracting sector already primed to expect positive moves in the Autumn Statement. The building sectors have been outperforming the wider market since the prime minister outlined the government's strategy for growth last month.

Commenting on confirmation of the go-ahead for the Jubilee Line extension and the expanded road building programme, a specialist at one of the leading London broking firms said he expected the market might well be slightly disappointed at the outcome. Among the building material groups, Redland picked up 8 to 387p, Rugby 5 to 218p and RMC 13 to 515p.

The Jubilee extension go-ahead gave a big boost to John Mowlem, with its big exposure to Docklands, and left the shares 6 higher at 89p. The move also lifted Costain 1¼ to 31p and George Wimpey 4 to 106p. Other contractors to move sharply higher included Alfred McAlpine, 15 better at 135p, and Higgs & Hill, which put on 2¼ at 45p.

Housebuilders were broadly higher, responding to the cut in interest rates. Wilson Bowden jumped 19 to 339p, additionally helped by their inclusion in the influential County-30 list of best buys. Bryant, the Midlands-based housebuilder, gained 4 at 85p after the company's pension scheme sold a block of 2.54m shares at 93p apiece. Most of the stock was quickly placed in the market at 94p. A further block of 750,000 Bryant shares was crossed at 94p.

BTR hit

Industrial conglomerate BTR was an early exception to a very firm market as securities house Kleinwort Benson took a harsh look at its previous profit forecasts for the group. Coincidentally, BTR's share price had hit its all-time high on Wednesday. Kleinwort analyst Mr Andrew Hollins refused to comment on figures being quoted by rivals, but there was a strong belief that he had cut his 1992 profits estimate to £984m from £1.03bn and, more significantly, his 1993 forecast to around £1.035bn from £1.15bn.

This year's figure was within the current range of estimates but next year's is below most forecasts. Kleinwort is believed to have revised its view after having seen trading figures for September. However, many felt the 1993 estimate was unnecessarily low considering the positive effect of currency movements on a group that earns 40 per cent of its profits in Australia and the US.

Also, the house reached its decision without talking to the company and BTR was said to be "unhappy" at the situation, particularly as it has been talking extensively to other analysts recently. BTR shares closed 12¼ lower at 494¼p with 4.9m traded.

Shell acclaimed

Shell Transport's third-quarter results found widespread acclaim and the shares raced higher in heavy trading. Replacement cost profits of £824m were well in excess of a comparable £523m and the market forecasts which ranged from £575m to £690m. At their best Shell touched 553p, before slipping to end a busy session a net 12 higher at 549p. Turnover was a hefty 9.5m shares.

Many analysts said the results were boosted by various items. At County NatWest, Mr Fergus Macleod said: "The more I looked, the less impressed I was; 30 per cent of the profits came from non-operating earnings. The shares look expensive." Mr Nick Clayton at Smith New Court described Shell shares as "very good value for the long-term", and pointed out that the company had reduced net debt by £750m during the quarter, leaving gearing at only 5 per cent.

Mr John Toalster at Strauss Turnbull said Shell's figures "continue to vindicate our long term recommendation to switch out of BP into Shell; they show how much stronger a company it is compared with BP." The latter edged up 2 to 288p on 9.5m traded.

Gloomy comments at a lunch with its broker prompted a sharp fall for the share price of Arjo Wiggins Appleton. The stock dropped 10 to 156p – one of the biggest percentage falls in London yesterday – as the post-prandial mood leaked into the market.

Arjo executives told broker UBS Phillips & Drew that when it decided to cut its dividend two months ago it had done so on an 18-month view of life not getting any easier. Also, the UBS media team, which has the stock as a "hold" recommendation, is believed to be reconsidering its current forecast of £185m for 1992.

A strong set of final figures from Burton sent the shares smartly forward, but left analysts sharply divided over the future prospects of the recovering stores group.

Revised profits forecasts for next year ranged from £15m (Kleinwort Benson) to £32½m (Nomura), with bears of the stock still wary of the group's ability to deliver sustained profits growth, given its recent track record.

County NatWest turned from a seller to a short-term hold of the stock, welcoming the improved sales growth and maintained dividend. However, analyst Ms Kimlan Cook said the long-term performance of the shares remained in doubt. "Burton still has a long way to go before it achieves an acceptable return on sales," she added.

The stock, which was the most heavily traded yesterday, jumped 11 to 55p in turnover of 25m shares. Dealers said the temperature was additionally raised by a story that joint-broker Cazenove had lifted its 1993/94 profits estimate to £70m, practically double the average for the rest of the market. Cazenove refused to comment on the rumour.

Leading pharmaceutical stocks performed well on the back of rises on Wall Street the previous day. Glaxo gained 8 to 816p, SmithKline Beecham rose 16 to 530p and Wellcome advanced 6 to 984p.

Fisons retreated 7 to 214p, pushed back by position-taking between marketmakers.

Hammerson stood out in a muted property sector as other brokers joined the recent bout of upgrading of its net asset value. The ordinary shares moved ahead 16 to 254p and the "A" stock ended 14 stronger at 249p.

In spite of satisfactory interim results, Boots retreated in busy turnover of 3.6m on a combination of profit-taking, US drug worries and hints that current trading may be getting tougher. The shares, which lost 10 yesterday to 487p, had run up ahead of the results, moving close to the top of their trading range. Boots also suffered as a perceived defensive stock, as did Great Universal Stores, which weakened 23 to 1635p.

Publisher Euromoney produced profits well above the high end of expectations and the shares jumped 32 to 890p. S.G. Warburg believes that even at this level there is strong upside and argues that on its 1993 forecast of £14.5m the shares are a buy up to £10.

BT shares appreciated 15 to 388p and the partly-paid 16 to 284p after the second-quarter figures. The rise in the shares, according to specialists, reflected the increased turnover in call volumes and a reduction in costs.

Royal Insurance rose 19 to 245p after better than expected third-quarter results.

A bearish note published by Panmure Gordon, the stockbroker, was said to have triggered the substantial underperformance of the banking sector against the wider market.

Plastics manufacturer Plysu fell 22 to 243p after a boardroom resignation. BAA lost 9 to 749p, with Kleinwort Benson said to be negative after the publication of the most recent passenger figures.

Motor distributors received a fillip from the announcement in the Autumn Statement about car tax. Lex Service advanced 18 to 244p, Jessups improved 8 to 73p and Evans Halshaw rose 10 to 189p.

MARKET REPORTERS:
Christopher Price,
Peter John,
Steve Thompson.

■ Other market statistics, Page 23

FT-A All-Share Index

Equity Shares Traded
Turnover by volume (million). Excluding: intra-market business & Overseas turnover

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (126).
BRITISH FUNDS (8) Tr. 9pc '02-06, Tr. 8½pc '07, Tr. 9pc '08, Cv. 9pc '11, Tr. 9pc '12, Do A, Tr. 5½pc '08-12, Tr. 7¾pc '12-15, OTHER FIXED INTEREST (2) Asian Devlpt. ... CONSTRCN (1) Shorco, ELECTRONICS (1) Northamber, ENG GEN (2) Hall, Wheway, FOOD RETAILING (1) Geest, HEALTH & HSEHOLD (1) Swallowfield, INSCE BROKERS (1) Oriel, INV TRUSTS (5) Aberforth Smllr. Co's Wts., First Spanish Wts., Martin Currie Wts., New Throgmorton, Turkey Tst. Wts., MOTORS (1) Central Motor, OIL & GAS (1) Aberdeen, OTHER INDLS (2) Ellem, Hestway, PACKG, PAPER & PRINTG (2) ... Stat-Plus, PROP (2) High-Point, Mucklow, STORES (1) Castors, TEXTS (2) Martin Intl., Wensum, MINES (3) Aztec, Dominion, Placer Pacific.

FINANCIAL TIMES EQUITY INDICES

	Nov 12	Nov 11	Nov 10	Nov 9	Nov 6	Year ago	High	Low
Ordinary share	2027.3	2003.0	2016.5	1998.4	2005.4	1948.6	2149.7	1870.0
Ord. div. yield	4.54	4.58	4.55	4.58	4.58	5.03	5.34	4.24
Earning yld % full	6.38	6.49	6.44	6.49	6.48	7.23	-	-
P/E ratio net	19.98	19.86	19.80	19.66	19.75	17.41	20.84	15.73
P/E ratio nil	18.46	18.17	18.30	18.17	18.25	16.41	-	-
Gold Mines	67.5	66.8	65.2	69.3	71.1	149.8	160.6	65.0

*for 1992 Ordinary share Index since compilation: high 2149.7 22/5/92 - low 49.4 26/6/40
Gold Mines Index since compilation high: 734.7 15/2/83- low 43.5 26/10/71
Basis Ordinary share 1/7/35; Gold Mines 12/9/55.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2012.7	2016.5	2012.4	2020.9	2023.4	2024.4	2023.1	2023.2	2022.3	2028.5	2010.8

Volume	Nov 12	Nov 11	Nov 10	Nov 9	Nov 6	Year ago
SEAQ Bargains	31,219	28,474	27,433	27,036	27,278	24,917
Equity Turnover(£m)†	-	1107.4	1119.3	1134.1	1235.3	932.03
Equity Bargains†	-	32,348	31,358	30,484	31,391	24,497
Shares traded (mil)†	-	465.0	534.9	508.0	530.6	364.8

† Excluding intra-market business and overseas turnover.

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FT-Actuaries All-Share

FT-SE Actuaries 350 Industry Baskets

LONDON SHARE SERVICE

BRITISH FUNDS

OTHER FIXED INTEREST

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for March 1992: 136.7 and for September 1992: 139.4

EQUITY FUTURES AND OPTIONS TRADING

A NERVOUS futures market saw a mostly firm day's trading turn into a late slide as traders declared themselves disappointed with the chancellor's statement, writes Christopher Price.

The December contract opened at 2,729 and was squeezed up from thereon in anticipation of some tangible signs from the government that growth policies would be pursued. The contract peaked around lunchtime at 2,765 – a new contract high – before nerves set in and a bout of sideways trading followed.

However, the chancellor's speech failed to impress the market, with most measures announced already discounted, according to traders.

December began to tumble, eventually closing at 2,745, up 28 from the previous day and at a slight premium to its fair value of around 17. In after-hours' trading, December came under more pressure, with traders forecasting a weak opening this morning. Its fair value range had peaked at 17 during the day, before narrowing in late selling. Turnover was 8,265 lots.

In the traded options market, volume was a substantial 40,377 contracts, of which 10,275 was in the FT-SE 100 option. ASDA once again led the way with 9,201.

This was followed by Land Securities, which saw 1,200 July 420 calls sold at 23p. Thames Water, on 2,306, and Scottish Power, on 1,970, were other sizeable trades.

NOTICE TO HOLDERS OF

ALCATEL N.V.

US$1,000,000,000

Euro Medium-Term Note Program

NOTICE IS HEREBY GIVEN to the holders of the above Notes that Alcatel Alsthom, S.A., a French société anonyme, has unconditionally guaranteed to the holders of such Notes outstanding as of September 30, 1992 the due and punctual performance of all of Alcatel N.V.'s obligations under such Notes, including, without limitation, the payment of principal (including premium, if any, and if any of such Notes is an OID Note, the Amortized Face Amount payable in respect thereof), and interest, if any, on such Notes, when and as the same shall become due and payable, as more fully set forth in the First Amendment dated as of November 10, 1992 to the Fiscal Agency Agreement (copies of which are on file and available for inspection at the corporate trust offices of Morgan Guaranty Trust Company of New York, as Fiscal Agent). All terms used herein are used as defined in such Notes.

ALCATEL N.V.
By: Morgan Guaranty Trust Company
as Fiscal Agent

Dated: November 13, 1992

LONDON SHARE SERVICE

AMERICANS

Notes		Price £	+or -	1992 high	low	Mkt Cap£m	Yld Gr's
Abbott Labs	h	19¼xd	+¼	19⅝	14⅝	10,257	2.0
♥Allegheny & W		462p	+10	454p	226p	234.9	4.2
Amdahl		520p	-33	1159p	455p	690.7	1.2
Amer Cyanamid		37⅛	+⅛	37⅝	26⅞	3,349	2.8
Amer Express		14⅛xd	—	14⅛	10	6,734	4.5
Amer T & T		29⅞xd	+⅜	29⅞	20⅛	39,730	2.8
AmeriTech		41⅞	—	43½	32½	10,334	5.3
BankAmerica		28⅛xd	-1	28½	19	9,690	2.9
Bankers NY		43⅜xd	—	43⅜	28⅞	3,401	4.1
Bell Atlantic		28½	+¼	31⅛	23⅛	12,786	5.6
BellSouth		31⅛	+⅛	34⅛	25	15,210	5.6
♥Bethlehem Steel		9⅛xd	-⅛	9⅜	5⅛	826.4	—
Bowater		1423pxd	+10	1575p	905p	614.4	5.3
CPC	h	32⅞xd	+	33	22⅛	4,978	2.3
♥Cadiz Land Inc		120p	—	342p	108p	—	—
California Engy		937p	—	940p	581p	170.6	—
Chase Manhattan		16xd	+⅛	16	9⅛	2,629	4.5
Chrysler		17xd	-⅛	17⅞	6⅛	5,890	2.2
Citicorp		12⅞xd	+	12⅞	5⅞	4,500	—
[illegible]		[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CANADIANS

BANKS

BREWERS & DISTILLERS

BUILDING MATERIALS

BUILDING MATERIALS - Cont.

BUSINESS SERVICES

CHEMICALS

CONGLOMERATES

CONTRACTING & CONSTRUCTION

CONTRACTING & CONSTRUCTION - Cont.

ELECTRICALS

ELECTRICITY

ELECTRONICS

ENGINEERING - AEROSPACE

ENGINEERING - GENERAL

ENGINEERING - GENERAL - Cont.

FOOD MANUFACTURING

FOOD RETAILING

HEALTH & HOUSEHOLD

HOTELS & LEISURE

HOTELS & LEISURE - Cont.

INSURANCE BROKERS

INSURANCE COMPOSITE

INSURANCE LIFE

INVESTMENT TRUSTS

Authorised by the Inland Revenue

INVESTMENT TRUSTS - Cont.

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

	Notes	Price	+ or -	1992 high	low	Yld Gr's	NAV	Dis or Pm(-)
Scottish Inv		182	—	183	147	[illegible]	212.4	14.7
Warrants		32	+1	38	21	—	—	—
Scot Mortgage		174xd	+½	174	135	3.8	202.7	14.4
Scot National Inc		80½	—	107	65¾	15.2	—	—
Cap		18	+1	42	12½	—	31.5	48.1
Stepped Pf		155	+½	155	126	5.2	—	—
Zero Div Pf		201	+½	201	166½	—	—	—
Warrants		5	—	9	3	—	—	—
Scot Value		65½	+½	65¾	48	3.7	68.4	[illegible]
Sec Alliance		1395	+9	1395	1085	[illegible]	1513.8	[illegible]
Second Market		255	—	255	222	[illegible]	306.8	16.8
Sec Tst Scot		72xd	+½	75½	61	[illegible]	77.8	7.4
Select Assets		104	+1	104	78½	[illegible]	151.3	31.6
Eq Ind Sert		121	—	123	106	4.7	—	—
Eq Ind SertII		[illegible]	—	123	106	4.7	—	—
SHIRESCOT		98	—	99	96	—	100.8	1.9
Shires		218	+5	249	189	11.2	220.7	1.3
11pc Cv Ln '03/04		£116	+2½	£119½	£95½	9.6	—	—
Sem Select		102	+1	102	68	8.5	138.8	26.9
Warrants		16	—	21	[illegible]	—	—	—
Smaller Cos		66	—	85	66	5.1	77.7	15.7
Warrants		18	—	26	10	—	—	—
Somerset Tst		114	—	140	55	—	88.5	-28.8
Sphere Inc		18xd	—	20	9½	31.8	24.1	48.2
Zero Div Pf		76½	—	77¾	63¾	—	—	—
Summit		35	—	35	30	4.8	93.5	62.6
TR City of Lon		119½	+1½	127½	87½	5.5	118.7	0.3
TR Euro Growth		76	—	90	70	2.4	100.1	24.1
Ptg Sub		33	—	54	33	5.6	—	—
TR Far East Inc		[illegible]	+1	115	76	5.3	124.4	[illegible]
Warrants		28½	+1½	22	12	—	—	—
TR High Inc		107	—	110	91	7.5	105.3	-1.6
Sub		21	-1	35	21	9.6	—	—
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

MEDIA - Cont.

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
[illegible]		483	—	484	323	[illegible]	6.2	[illegible]
VTR		40	—	65	40	2.82	12.0	
WPP		41	-1	116	31	95.1	—	
Warrants		6	—	8½	1½	0.25	—	
Wetmoughs		405	—	408	391	182.7	3.0	[illegible]
Yorkshire Tyne-T.		118	—	191½	118	59.9	13.6	[illegible]
Warrants		10	—	18	9	0.80	—	

MERCHANT BANKS

	Notes	Price	+ or -	1992 high	low	Mkt Cap£m	Yld Gr's	P/E
Ansbacher (H)		31	—	34	26	67.9	—	
Barings 8pc Cm 2nd Prf		90½xd	-1	101	83½	12.1	11.0	
9¾pc Non-Cum Prf		71½xd	—	120	103¾	47.4	11.0	
Close Bros		221	+1	287	205	84.9	5.7	[illegible]
Hambros		280	+4	282	202	413.6	7.8	[illegible]
7½pc Cv Pf		109	+½	119	91½	182.5	9.2	
Joseph (L)		300	—	330	300	16.2	8.9	
Kleinwort Benson		280	—	324	212	377.7	7.4	[illegible]
Rea Bros		35	-1	37	25	19.7	1.9	
Schroders		1300	+6	1365	1043	[illegible]	1.8	[illegible]
N/V		1105	+2	1150	880	145.1	2.2	[illegible]
Singer & Fried		40	+1	50	34	82.7	7.8	[illegible]
Warburg (SG)		404	+17	595	403	1,033	4.9	[illegible]
8pc Cv Pf		187½	+6½	204	137	71.3	4.8	
Wintrust		190	—	200	180	16.1	6.5	7.[illegible]

METALS & METAL FORMING

[illegible]

MISCELLANEOUS

[illegible]

INVESTMENT COMPANIES

[illegible]

MEDIA

[illegible]

MOTORS

[illegible]

OIL & GAS

[illegible]

OIL & GAS - Cont.

[illegible]

OTHER FINANCIAL

[illegible]

OTHER INDUSTRIALS

[illegible]

PACKAGING, PAPER & PRINTING

[illegible]

PACKAGING, PAPER & PRINTING - Cont.

[illegible]

PROPERTY

[illegible]

STORES

[illegible]

STORES - Cont.

[illegible]

TELEPHONE NETWORKS

[illegible]

TEXTILES

[illegible]

TRANSPORT

[illegible]

WATER

[illegible]

SOUTH AFRICANS

[illegible]

PLANTATIONS

[illegible]

MINES

[illegible]

MINES - Cont.

[illegible]

GUIDE TO LONDON SHARE SERVICE

[illegible]

‡ Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. [illegible] official estimates for 1992-93. A Estimated annualised yield, p/e based on latest annual earnings. H Yield based on prospectus or other [illegible]

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xt ex capital distribution.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128

AUTHORISED UNIT TRUSTS

AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	144.6	148.2xd	156.0	+0.40	0.00
AIB Grofund Equity	5	191.6	194.4	205.7	-0.20	1.80
AIB Grofund Euro	5	143.1	145.2	153.9	+0.10	0.40
AIB Grofund Ext Income	5	[illegible]	97.28	100.3	+0.30	[illegible]
AIB Grofund Gilt	3	75.86	75.88	78.22	[illegible]	[illegible]
AIB Grofund Japan	5	119.5	130.9xd	137.3	-0.30	0.00

AXA Equity & Law Unit Tst Mngrs (1200)H

Abbey Unit Tst Mngrs (1000)H

Aberforth Unit Trust Managers Ltd (1400)F

Allied Unit Trust Managers Ltd (1200)H

Acorn Unit Trust Managers Ltd (1100)F
1 White Hart Yd, London Bridge SE1 1NX 071-407 5966

Acumen Fund Managers Ltd (1400)F

AEGON Unit Trusts Ltd (1400)F
35 Fountain St, Manchester M2 2AF 061-236 3400

AEtna Unit Trusts Ltd (1600)F

Allchurches Inv Mngmt Servs Ltd (1200)H

Allied Dunbar Unit Tsts PLC (1600)F

Arkwright Management (1400)F

B & C E Unit Trust Mngmt Ltd (1000)H

BSI-Thornhill Unit Trust Mngs Ltd (1200)F

Baillie Gifford & Co Ltd (1400)H

Bank of Ireland Fund Mngrs Ltd (1400)F

Barclays Unicorn Ltd (1000)H

Baring Fund Managers Ltd (1200)H

Blackstone Franks UT Mngrs Ltd (0900)F

Brewin Dolphin Unit Tst Mngs Ltd (0905)F

Britannia Life Unit Managers Ltd (1200)F

Brown Shipley & Co Ltd (1000)F

Bryant Unit Tst Mngmt Ltd (1400)F

Buckmaster Mangmt Co Ltd (1200)H

CIS Unit Managers Ltd (1000)F

For CS Fund Mngrs see City Financial UT

Canada Life Unit Tst Mngrs Ltd (1200)F

Cannon Fund Managers Ltd (1200)H

Capel-Cure Myers UT Mngt Ltd (1200)F

James Capel Unit Tst Mngt Ltd (1400)F

Capital House Unit Tst Mgrs (1200)F

Confederation Funds Mngt Ltd (1200)F

Consistent Unit Tst Mngt Co Ltd (1200)F

Co-op Pension Fds UT Mngrs Ltd (1000)F

Crown Unit Tst Services Ltd (1200)F

Dimensional Tst Mangmt Ltd (0900)F

Discretionary Unit Fund Mngrs (1000)F

Drummond Fund Mangt Ltd (1000)F

Edinburgh Unit Tst Mngs Ltd (1400)H

Elcon Ltd (1000)F

Endurance Fund Management Ltd

Equitable Unit Trust Managers Ltd

Exeter Fund Managers Ltd (1400)F

Family Investment Mngmt Ltd

Fidelity Investment Servs Ltd

Gartmore Fund Managers (1200)F

INVESCO MIM UT Mngs Ltd - Contd.

Kleinwort Benson Unit Trusts (1400)F

MW Investment Managers Ltd (0600)F

Maiden Unit Trust Managers Ltd (1400)F

Manulife Management Ltd (1200)F

Marlborough Fund Managers Ltd (1630)F

Martin Currie Unit Trusts Ltd (0900)H

Mercury Fund Managers Ltd (1000)H

N&P Unit Trust Management Ltd (1200)F

National Provident Inv Mngrs Ltd (1400)H

Newton Fund Mngrs Ltd (1200)F

Norwich Union Tst Managers (1200)H

Rothschild Fund Management (1000)F

Royal Life Fd Mgmt Ltd (1000)F

Royal London Unit Tst Mgrs Ltd (1200)F

Reliance Unit Mgrs. Ltd (1000)H

Rock Asset Mgmt (Unit Trust) Ltd (0900)F

Guide to pricing of Authorised Unit Trusts
Compiled with the assistance of Lautro §§

INITIAL CHARGE: [illegible]

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: [illegible]

TIME: [illegible]

HISTORIC PRICING: [illegible]

FORWARD PRICING: [illegible]

SCHEME PARTICULARS AND REPORTS: [illegible]

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071—379—0444.

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FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
Sharp (Albert E.) & Co (1000)F						
Admin: 5 Rayleigh Rd Hutton, Brentwood Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
Intl Bond & Conv	5	116.90	117.20	123.40	+0.10	6.16
Pooled Pension	3½	137.5	142.0	146.9	...	–
Smaller Cos	5	50.20	51.94	54.67	[illegible]	2.98
UK General	5	110.10	111.70	117.60	-0.20	2.79
Sheppards Unit Trust Mngmt Ltd (1200)F						
1 White Hart Yard, London Bridge SE1 071 407 5966						
Income	5	358.66	358.66	380.18	[illegible]	5.42
Global Inc	5	50.91	50.91	53.96	+0.50	4.51
Brit Leaders	5	302.04	302.04	320.16	+1.02	3.19
Intl Leaders	5	165.61	165.61	175.55	+0.71	1.87
[illegible]	3½	48.23	49.01	50.92	+0.65	4.20
[illegible]	3½	48.23	49.01	50.92	+0.65	4.20
Singer & Friedlander UT Mngmt Ltd (1800)F						
PO Box 224, Beckenham, BR3 4TF 081-663 3003						
European Trust	6	46.28	46.42	49.38	+0.11	1.67
Far Eastern Tst	6	52.75	53.17	56.56	-0.40	0.87
Smaller Cos	5	110.6	115.1	122.5	+0.3	5.05
Smith & Williamson Unit Tst Mgrs (1600)F						
1 Riding House St, London W1A 3AS 071-637 5377						
S & W Americas	5	259.9	260.4	275.6	+1.7	0.98
S & W Capital	5	106.8	106.8	114.5	+0.2	1.88
S & W Cash	0	101.06	101.06	101.06	+0.02	7.70
S & W European	5	105.2	105.4	111.5	-0.2	1.30
S & W Far Eastern	5	110.4	111.2	117.6	+0.6	0.00
S & W Growth	5	114.3	115.4	122.1	...	1.48
S & W Income	5	98.49	99.88	105.6	+0.2	5.63
S & W Magnum	5	113.3	113.3	121.5	+0.2	1.82
S & W Smlr Secs	5	246.2	251.6	266.2	...	0.97
S & W Thoroughbred	5	130.3	130.3	139.8	+0.4	1.84
Societe Generale Tenche Remnant (1600)F						
Whittingdale Unit Tst Mngmt Ltd (0830)F						
2 Honey Lane, London EC2V 8BT 071-600 0462						
Challenger	2½	88.60	88.60	90.66	-0.29	0.00
Short Dtd Gilt	1¼	107.6	107.6	109.0	-0.2	1.93
U.S. Govnmt Bond	1¼	[illegible]	[illegible]	[illegible]	[illegible]	0.00
Gilt Income	4	52.00	52.00	54.11	-0.15	8.48
Gilt Growth	4	64.01	64.01	66.64	-0.15	0.00
City Reserve	0	55.07	55.07	55.07	+0.01	8.8
Woolwich Unit Trust Managers Ltd (1700)H						
1 White Oak Square, Swanley BR8 7AG 0705 398046						
Stockmarket Fd F	5	59.75	59.98	63.80	+0.41	2.66

OTHER UK UNIT TRUSTS

	Bid Price	Offer Price	+ or -	Yield Gross
Baillie Gifford & Co Ltd				
Int'l Expl Oct 28	636.5	650.2	...	1.06
Baring Investment Mngmt Ltd				
155 Bishopsgate, London EC2M 3XY				
071 214 1050 (general enquiries) 071 214 1004 (dealing)				
Charitable Funds				
UK Growth & Income	49.81	51.57	+0.55	4.7
Income Plus	49.00	49.97	-0.02	7.6
James Capel Fund Managers Ltd				
Managed Exempt	119.88	126.72	+0.71	4.26
Cent. Bd. of Fin. of Church of England				
2 Fore Street, London EC2Y 5AQ 071-588 1815				

INSURANCES

Continued on next page

FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

Prolific Life & Pensions Ltd

Reliance Mutual

J Rothschild Assurance PLC

Royal Heritage Life Assurance Ltd

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance plc

Scottish Provident Institution

Scottish Widows' Group

Shield Assurance Ltd

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Group

Sun Alliance Group—Contd.

Sun Life Unit Assurance Ltd

Swiss Life (UK) PLC

Swiss Pioneer Life Plc

TSB Life Ltd

Target Life Assurance Co Ltd

Tunbridge Wells Equitable

Windsor Life Assur Co Ltd

Woolwich Life Assurance Co Ltd

Zurich Life Assurance Co Ltd

Providence Capital Life Assur. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Corporate Pension Funds

Prudential Individual Life Funds

Prudential Individual Pension Funds

Property Life Assurance Ltd

OFFSHORE INSURANCES

Albany International Assurance Ltd

CMI Insurance Co Ltd

Eagle Star Intl Life

Equitable Life (International)

Royal Life Intl. Ltd

Royal Skandia Life Assurance Ltd

Sun Alliance International Life

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

Target International Group

Guinness Flight Fd Mngrs (Guernsey) Ltd

Merrill Lynch Guernsey

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

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FT MANAGED FUNDS SERVICE

• Current Unit Trust prices are available from FT Cityline. For further details call (071) 925 2128.

	Bid Price	Offer Price	+ or -	Yield Gross
IBI Global Funds Limited				
Intl Stlg Grth	£20.46	21.55	----	-
Intl $US Grth	$17.62	18.55	----	-
High Income Gilt	£26.34	27.30	----	-
International Equity	£20.52	21.61	----	-
International Bond	£22.81	23.65	----	-
Managed Currency	£27.71	28.00	----	-
Sterling Currency	£26.34	26.62	----	-
US$ Currency	$37.70	38.09	----	-
Irish £ Currency	I£15.06	15.22	----	-
R & H Fund Managers Ltd				
LFM Sterling Fd	£11.03	11.50	----	-
R.F. Offshore Inc Fd Ltd	£11.50	12.02	----	-
Target International (Isle of Man) Ltd				
IMC Offshore Fd	£9.10	9.80	----	-
[illegible]	£8.79	9.35	----	-

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)

LUXEMBOURG (SIB RECOGNISED)

LUXEMBOURG (REGULATED)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Sterling unmoved by rate cut

STERLING was virtually unmoved against both the D-Mark and the US dollar yesterday, after Britain's chancellor announced that UK base rates would be cut by 1 percentage point from today, *writes James Blitz.*

However, the French franc derived considerable support from the Bank of France's decision to cut its two main dealing rates for the second time in ten days. According to one analyst, yesterday's moves may have set the scene for the franc to appreciate against the D-Mark well into next year.

The 100 basis point cut in UK base rates had been generally priced into sterling's exchange rates before the statement. The pound was at DM2.4105 at the start of Mr Lamont's speech, rose to DM2.4150 by the end, and later closed at DM2.4200, more than ¼ a pfennig up on the day.

Against the dollar, the pound closed slightly weaker at $1.5240. But this was more the product of dollar strength than an instantly negative response to the chancellor's statement.

Mr John Hall, an international economist at Swiss Banking Corporation in London, said that the government had given so many steers on the content of the speech that there was little for the market to react to. "The amount of fiscal stimulus was exactly what was anticipated, and the pound could even show a little upside following these moves," he said.

However, Mr David Cocker, chief economist at Chemical Bank in London, said that the chancellor showed less commitment to economic growth than he had expected, and that sterling could weaken further before the end of the year.

"Underlying institutional money is desperate to find a home where there is economic growth," he said. "But the message of the statement was that Britain is not moving fast enough in that direction." The rise in the public sector borrowing requirement would also make the market wary about the increased supply of government bonds, which may weaken sterling's exchange rate in the longer term.

Mr Ian Beauchamp, chief economist at Hambros, was particularly bearish about the pound's prospects. "The chancellor was tinkering at the edges rather than getting to the heart of the problem," he said. "There was nothing significant in the chancellor's package, and much about which one could cast doubt." He expects sterling to dip below the floor of its current range, DM2.40 to the D-Mark, before the end of the year.

The French franc continued to rise against the D-Mark in spite of the Bank of France's decision to cut its two key lending rates yesterday. The franc closed at FFr3.3740 to the D-Mark from a previous close of FFr3.381.

The French currency's rise has prompted speculation that the hard currencies in the Exchange Rate Mechanism – including the D-Mark and French Franc – will move to narrower bands next year.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Nov 12	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Belgian Franc	41.9547	40.4803	-3.51	4.80	46
Dutch Guilder	2.29193	2.21396	-3.40	4.68	41
D-Mark	2.03412	1.96801	-3.25	4.51	44
Danish Krone	7.75901	7.54839	-2.71	3.94	7
French Franc	6.82216	6.64077	-2.66	3.88	5
Irish Punt	0.759900	0.742800	-2.17	3.36	-18
Portuguese Escudo	176.644	174.882	-1.11	2.25	-3
Spanish Peseta	139.176	140.728	1.12	0.00	-42

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
(17/9/) Sterling and Italian Lira suspended from ERM. Adjustment calculated by Financial Times.

£ IN NEW YORK

Nov.12	Latest	Previous Close
£ Spot	1.5210-1.5220	1.5245 1.5255
1 month	0.52-0.51pm	0.55 0.54pm
3 months	1.21-1.18pm	1.23 1.20pm
12 months	3.32-3.22pm	3.20 3.10pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

CURRENCY RATES

CURRENCY MOVEMENTS

OTHER CURRENCIES

	£	$
Iran	2230.00*	1455.00*
Korea(Sth)	1186.70 - 1205.85	779.30 - 785.30
Kuwait	0.45400 - 0.45500	0.29820 - 0.29850
Luxembourg	49.70 - 49.80	32.60 - 32.70
Malaysia	3.8335 - 3.8420	2.5230 - 2.5240
Mexico	4737.90 - 4740.95	3115.00 - 3117.00
N.Zealand	2.9000 - 2.9060	1.9080 - 1.9105
Saudi Ar.	5.6405 - 5.7760	3.7495 - 3.7505
Singapore	2.4850 - 2.4925	1.6380 - 1.6390
S.Af (Cm)	4.5370 - 4.5495	2.9860 - 2.9875
S.Af (Fn)	7.0740 - 7.1245	4.6510 - 4.6840
Taiwan	38.05 - 38.80	25.40 - 25.50
U.A.E.	5.5256 - 5.6570	3.6715 - 3.6735

*Floating rate. Iran Official rate £100.75 $65.50

POUND SPOT - FORWARD AGAINST THE POUND

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

EURO-CURRENCY INTEREST RATES

EXCHANGE CROSS RATES

£	1	1.524	2.420	189.0	8.165	2.185	2.723
$	0.656	1	1.588	124.0	5.358	1.434	1.787
[illegible]	0.413	0.630	1	78.10	3.374	0.903	1.125
YEN	5.291	8.063	12.80	1000.	43.20	11.56	14.41
F Fr.	1.225	1.867	2.964	231.5	10.	2.676	3.335
S Fr.	0.458	0.697	1.108	86.50	3.737	1	1.246
H Fl.	0.367	0.560	0.889	69.41	2.999	0.802	1
Lira	0.483	0.736	1.168	91.22	3.941	1.055	1.314
C $	0.520	0.792	1.258	98.23	4.244	1.136	1.415
B Fr.	2.010	3.063	4.864	379.9	16.41	4.392	5.473
Pta	0.578	0.881	1.400	109.3	4.722	1.264	1.575
Ecu	0.811	1.236	1.963	153.3	6.622	1.772	2.208

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls December	Calls March	Calls June	Puts December	Puts March	Puts June
108	3.05	-	-	-	0.22	0.49
109	2.05	3.03	-	0.03	-	-
110	1.08	2.27	2.80	0.08	0.36	0.97
111	0.36	1.55	-	0.36	0.86	-
112	0.09	1.02	-	-	-	1.74
Open int.	229,079	140,405	16,302	232,615	94,670	3,460

Estimated volume 41,342 † Total Open Interest 715,531
† All Yield & Open Interest figures are for the previous day.

BASE LENDING RATES

	%		%		%
Adam & Company	8	Credit Lyonnais	8	McDonnell Douglas Bank	8
Allied Trust Bank	8	Cyprus Popular Bk	8	Midland Bank	7
AIB Bank	8	Duncan Lawrie	8	Mount Banking	8
● Henry Ansbacher	8	Equatorial Bank plc	7	NatWestminster	8
B & C Merchant Bank	13	Exeter Bank Limited	8.5	Northern Bank Ltd	8
Bank of Baroda	8	Financial & Gen. Bank	8	Nykredit Mortgage Bank	8.5
Banco Bilbao Vizcaya	8	● Robert Fleming & Co.	7	● Rea Brothers	8
Bank of Cyprus	8	Girobank	8	Roxburghe Bank Ltd.	10
Bank of Ireland	8	● Guinness Mahon	8	Royal Bk of Scotland	8
Bank of India	8	Habib Bank AG Zurich	8	● Smith & Williamson Secs.	8
Bank of Scotland	8	● Hambros Bank	8	Standard Chartered	8
Banque Belge Ltd	8	Hampshire Trust Plc	12.5	TSB	8
Barclays Bank	7	Heritable & Gen Inv Bank	8	Unibank plc	8
Brit Bk of Mid East	8	● Hill Samuel	8	● United Bk of Kuwait	8
● Brown Shipley	8	C. Hoare & Co.	8	Unity Trust Bank Plc	8
CL Bank Nederland	8	Hongkong & Shanghai	8	Western Trust	8
Citibank NA	7	Julian Hodge Bank	8	Whiteaway Laidlaw	8
City Merchants Bank	8	● Leopold Joseph & Sons	8	Yorkshire Bank	8
Clydesdale Bank	8	Lloyds Bank	8		
Co-operative Bank	8	Meghraj Bank Ltd	7		
Coutts & Co	8				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

UK and France ease

CASH rates in the sterling money market were virtually unmoved yesterday after the UK chancellor announced that the Bank of England will post a Minimum Lending Rate of 7 per cent today, *writes James Blitz.*

This signalled a 1 percentage point cut in base rates, but the reduction had been accurately priced into the market and little trading followed the statement.

In recent days, dealers had been punting on the possibility of a 2 percentage point cut in rates this week. But several hours before the speech, market rates firmed, with 6-month money moving back up to 6¾ per cent from 6½ per cent.

UK clearing bank base lending rate 7 per cent from Friday 13 November, 1992

Three-month money, a key indicator of how the market thinks rates are moving, traded at around 7 per cent shortly before the chancellor stood up in the House of Commons, and closed at that level.

Short sterling futures reflected slightly less optimism that base rates will be at 6 per cent by the New Year. The December short sterling contract closed down 14 basis points from its highs at 93.40, pricing 3-month money at 6.60 per cent by Christmas.

As expected, the £1bn daily shortage forecast by the Bank of England proved difficult to remove in the run-up to the Autumn Statement.

One commercial bank dealer suggested that today's shortage should be easily removed because there is little expectation of another rate cut for several weeks. "We should have a quiet period until the next economic data come through," he said.

The Bank of France decided to cut its two key lending rates for the second time in ten days, but the move had been priced into the market and had little impact.

The French authorities decided to lower the intervention rate by 25 basis points to 9.10 per cent and the five-to-10 day lending rate to 10 per cent.

However, French cash rates were more-or-less unchanged on the news. The December French franc futures contract closed down 10 basis points at 90.94, and three month money closed at 9¾ per cent on the offered side.

Three-month French cash is now 90 basis points above 3-month D-Marks. One commercial bank dealer speculated that the French authorities could bring French rates down to German levels if the franc appreciates further to FFr3.35 to the D-Mark.

FT LONDON INTERBANK FIXING

MONEY RATES

LONDON MONEY RATES

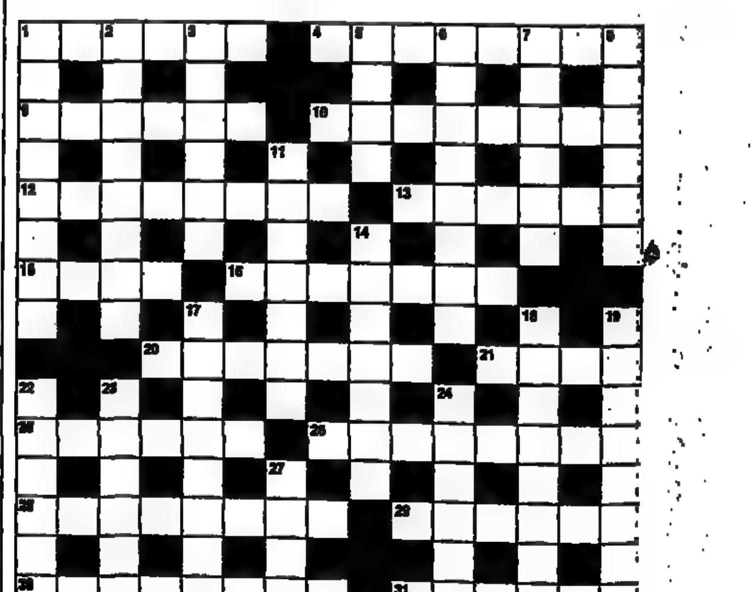
MONEY MARKET FUNDS

Money Market Trust Funds

Money Market Bank Accounts

CROSSWORD

No.8,002 Set by VIXEN



ACROSS

1 The carrier left with evident hesitation (6)
4 Rousing carol about bitter (8)
9 Family junk (6)
10 Split cane isn't used in this case (8)
12 Brilliant red love bird (8)
13 Stop in to construct a piece of machinery (6)
15 Smart and trim egghead (4)
16 Acted like a swine over right turn and got in front (7)
20 Turner, a delinquent pocketing cash (7)
21 Red meat or grouse? (4)
25 Looks for a saw – it's needed (6)
26 Nice account given by a man of the cloth (8)
28 Finding fault is all-important (8)
29 Receiving it in black and white, will be shown sympathy (6)
30 Men going on board with the wind up? (8)
31 Some Yankee nervously trying to seem more trenchant (6)

DOWN

1 American formerly in a poor state of health? (8)
2 Withdraws touching brochures (8)
3 Anyone would find this really sickening (6)
5 Not drinking – sheltering in the shade (4)
6 Angry about a Greek character having told (8)
7 In the north, taking tea-break appears natural (6)
8 Environmentalists are for putting on! (6)
11 A good enough reason for not being in deep water (7)
14 Extensive period of incarceration (7)
17 Seeing a mug in acute discomfort (8)
18 Fantastic oriental story (8)
19 Miscreant given a tip in advance (8)
22 Little church in the country that must make cut (6)
23 Wreck in a spot much used by sailing people (6)
24 A cleaner turning up, many turn cold (6)
27 Go on a strict diet – quickly (4)

Solution to Puzzle No.8,001

Across: SENORA, BILLET, FORCEPS, HARBOUR, INTERNMENT, RACE, CIRCA, EQUALITY, BALLOTED, LIVID, PUTS, MONUMENTAL, DEVIOUS, STILTON, TIGHTS, EDWARD

هكذا صدر الأصل

WORLD STOCK MARKETS

AUSTRIA

November 12	Sch	+ or −
Austrian Airlines	1,820	−20
Creditanstalt Pf	426	+1
EA General	2,920	....
EVN	754	+1
Jungbunzlauer	16,700	....
OeMv	643	+2
Perlmooser Zement	1,070	+20
Radex Heraklith	369	+2
Reininghaus Brau	985	−2
Steyr Daimler	183	....
Veitscher Magnesit	208	+3
Verbund (Br) A	400	+1
Vienna Int Airport	451	−4
Wienerberger	3,005	+5
Z-Laenderbank	1,020	....

BELGIUM/LUXEMBOURG

November 12	Frs.	+ or −
AG Group	2,135	....
Ackermans	2,450	....
Almanij	6,090xd	+90
Arbed	2,130	+10
BBL	3,520	+10
Bank Intl a Lux	11,500	....
Banq Gen Lux Pts	12,700	+50
Banque Nat Belg	31,350	−625
Bekaert	12,550	+100
CBR Ciment	7,720	+100
CMB	1,645	+15
Cobepa	4,280	+30
Cockerill Priv	112	+2
Colruyt	5,110	−30
Delhaize Frs Lion	1,488	+18

FRANCE (continued)

November 12	Frs.	+ or −
Cap Gemini S	169.30	+0.40
Carnaudmetalbox	186	+3
Carrefour	2,499	+59
Casino	143	−0.50
Chargeurs	1,250	+13
Club Mediterranee	380	−0.90
Cogifi	301.50	....
Coparex Int	587	....
CCF	211	+4
Cr Fonc France	922	+17
Cred Lyon (CI)	392	....
Credit Nationale	1,061	−14
Damart	3,039	+79
Docks de France	408	+14
Dollfus Mieg Cie	285	....
EBF	790	....
Eaux Cie Genl	2,033	+15
Ecco	350	−5
Elf Aquitaine	374.30	+5.30
Elf Aquitaine Certs	259.50	+6.30
Elf Sanofi	1,094	−14
Eridania B-Say	575	−14
Eridania B-Say CI	489	....
Essilor Int	395	−3
Elex	1,630	+30
Eurafrance	1,142	+22
Euro RSCG	454	+17
Euro Disney	80.50	+0.45
Fin Pollet	412	+15
Finextel	106.90	+1.90
Fonc Lyonnaise	546	+26
From C et Aux	3,340	−60
GTM-Entrepose	286	+2.60
Gal. Lafayette	1,930	−20

GERMANY (continued) · NETHERLANDS (continued) · SWEDEN (continued) · SWITZERLAND · NORWAY · SPAIN · SOUTH AFRICA · ITALY · NETHERLANDS · SWEDEN · DENMARK · FINLAND · FRANCE · GERMANY · JAPAN · HONG KONG · AUSTRALIA · MALAYSIA · SINGAPORE

CANADA

TORONTO

3 pm November 12

MONTREAL

3 pm November 12

INDICES

NEW YORK

DOW JONES	Nov 11	Nov 10	Nov 9	Nov 6	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Industrials	3240.33	3225.47	3240.87	3240.86	3413.21 (1/6)	3136.58 (9/10)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	102.15	102.03	101.84	101.99	103.20 (18/9)	98.41 (20/3)	103.20 (18/9/92)	54.99 (1/10/81)
Transport	1388.72	1386.15	1387.36	1387.36	1467.68 (20/2)	1204.40 (26/8)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	216.57	215.26	216.30	217.51	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

DJ Ind. Day's High 3258.70 (3268.15) Low 3203.31 (3212.50) (Theoretical)
Day's High 3245.46 (3252.21) Low 3219.52 (3224.66) (Actual)

STANDARD AND POOR'S

	Nov 11	Nov 10	Nov 9	Nov 6	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	422.20	418.42	418.99	417.58	425.27 (14/9)	394.50 (8/4)	425.27 (14/9/92)	4.40 (1/6/32)
Industrials	496.13	491.40	491.25	490.80	503.30 (14/9)	470.91 (8/4)	503.30 (14/9/92)	3.62 (21/6/32)
Financial	38.19	37.90	37.69	37.37	38.19 (11/11)	32.40 (8/4)	38.19 (11/11/92)	8.64 (1/10/74)
NYSE Composite	232.58	230.66	230.63	230.09	233.73 (14/9)	217.92 (8/4)	233.73 (14/9/92)	4.46 (25/4/42)
Amex Mkt. Value	388.81	385.66	385.36	383.26	418.99 (12/2)	364.85 (9/10)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	634.92	627.76	622.05	616.92	644.92 (12/2)	547.84 (26/6)	644.92 (12/2/92)	54.87 (31/10/72)

	Nov 6	Oct 30	Oct 23	year ago (approx.)
Dow Industrial Div. Yield	3.20	3.21	3.24	3.05

	Nov 4	Oct 28	Oct 21	year ago (approx.)
S & P Industrial div. yield	2.66	2.66	2.72	2.73
S & P Ind. P/E ratio	27.31	27.52	27.22	21.17

NEW YORK ACTIVE STOCKS · **TRADING ACTIVITY**

CANADA

TORONTO

...theoretical day's highs and lows are the averages of the highest ... by each stock, whereas the actual day's highs and lows ... highest and lowest values that the index has reached during the ... previous day's.

**Saturday November 7: Taiwan Weighted Price: 3,530.78, Korea ...
† Subject to official recalculation.
Base values of all indices are 100 except: Austria Traded, 861.20, HEX ... Overall and DAX − 1,000, JSE Gold − 255.7, JSE 20 Industrials − 264 ...
(c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Thursday, November 12, 1992

	Stocks Traded	Closing Prices	Change on day
Green Cross	5.0m	1,230	+20
Mitsui Mining	3.3m	498	+8
Aichi Seiko	2.8m	685	+14
Okamoto	2.8m	699	+13
Meiji Milk	2.4m	587	
Gajeon Kanko	2.2m	826	+5
[illegible]	2.1m	580	+3
Tokyo Gas	[illegible]	402	[illegible]
Mitsubishi Heavy	1.9m	601	−7
NPN Steel	1.8m	361	−3

3 pm November 12

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15¾	11	AAR Corp	0.48	3.8	20	98	12⅝	12⅜	12½	+⅛
28½	18	A L Labs A	0.18	0.9	67	1873	20⅛	19	19	-½
68¾	62⅞	AMP Inc x	1.52	2.3	24	2293	65⅝	64¼	64¼	-¼
80¼	54⅞	AMR				32226	65¼	64	65	+⅝
2⅞	1⅞	ARX			15	16	2⅛	2⅛	2⅛	
53½	30¾	ASA x	2.00	6.3	21	327	32⅛	31¼	31⅞	+1⅝
34¼	26⅛	Abbott Lab	0.60	2.0	20	1847	30	29½	29¾	+⅛
13⅞	10⅝	Abitibi Pr	0.40	3.6	5	5	11⅛	11⅛	11⅛	
11⅜	10⅛	ACM Gvt In x	1.01	9.3		238	10⅞	10¾	10⅞	+⅛
10⅜	9⅛	ACM GvOpp x	0.87	9.4		46	9⅜	9¼	9¼	-⅛
9⅜	8½	ACM Gvt Sp x	0.79	9.0		234	8⅞	8⅝	8¾	-⅛
11⅞	10⅛	ACM Gvt Se	0.96	9.0		88	10⅝	10½	10⅝	+⅛
10⅝	9⅝	ACM Man x	1.00	10.3		122	9⅞	9⅝	9¾	
12⅞	9⅛	ACM Mangd x	1.09	11.3		238	9¾	9⅝	9⅝	-⅛
11⅜	4⅞	Acme Cleve x	0.40	5.4	14	180	7½	7⅛	7⅜	
6¼	3¼	Acme Elect			95	2	4⅜	4⅝	4⅞	+¼
33¼	14⅞	Acuson			12	1992	16¾	16	16¾	-⅝
20⅞	16¼	Adams Expr	0.48	2.3	1	124	u20⅝	20¼	20⅝	+¼
49⅛	29½	Ad Micro	3.00	7.1		132	42½	42	42½	
21½	7½	Ad Micro P	3.00	18.3	5	2012	16⅞	16⅛	16⅜	
9⅛	4⅞	Advest Grp	0.16	2.6	12	224	6⅛	5⅝	6⅛	+⅜
42⅞	33	Aegon ADR	1.35	3.2	7	186	41⅝	41½	41⅝	+⅛
47	36	Aetna Lf	2.76	6.5	12	573	43	42¼	42¼	-⅛
12¼	8⅜	Ahll A x	0.24	2.2	14	295	11	10⅞	10⅞	-⅛
34	24	Aflac x	0.44	1.5	13	1174	29¾	29½	29½	-⅛
19⅞	13	Ahmanson x	0.88	5.9	7	1407	15	14¾	14⅞	
22½	4	Aileen Inc			9	461	5⅞	5⅜	5½	+⅛
49½	36½	Air Pr Chm	0.86	1.8	20	987	49	48½	49	+⅜
29¾	12½	Airbne Frt x	0.30	1.6	106	187	19¼	19⅛	19¼	+⅛
40¼	22⅝	Airgas Inc			28	307	39⅞	38¾	38¾	-1¼
12⅞	6¼	Airlease	1.66	15.6	8	10	10¾	10⅝	10¾	
104	99½	AlaPw8.16	8.16	8.1		3	101	100¼	100¼	
106	100¼	Alab 8.28C	8.28	8.1		z100	103½	103½	102	-1½
11¼	10½	AlaPwDpPf	0.87	8.0		42	10⅞	10¾	10⅞	
23⅞	14¾	Alaska Air	0.20	1.2	6	281	17⅝	17⅛	17⅛	
21¼	11¼	Albany Int	0.35	2.4	59	65	14½	14⅛	14⅜	
32	21¼	AlCulvr B x	0.24	1.0	17	28	23¼	23	23⅛	-⅛
26⅞	19⅝	AlCulvr A x	0.24	1.1	19	120	21⅞	21¼	21⅞	
47½	38¾	Albertsons x	0.64	1.4	25	916	46	45½	45⅞	+¼
22⅞	15¼	Alcan Alum	0.30	1.8	35	1532	16½	16¼	16¼	-¼
42⅝	33⅛	Alco Stand	0.92	2.6	15	233	35¼	35⅛	35⅛	-⅛
23⅛	14⅝	AlexBrown	0.50	2.5	5	376	20¼	19⅞	20⅛	+⅛
27⅞	16	Alexr Alex	1.00	3.8	93	177	26⅛	25⅞	26⅛	-⅛
36⅝	27½	Allegh Lud	0.88	2.9	17	57	30	29¾	29⅞	+¼
48⅞	41½	Allegh Pow	3.20	6.9	12	408	46⅝	46½	46⅝	+⅛
31	22⅜	Allen Gp	1.76	5.9		80	29½	29¼	29½	+⅜
30	18⅞	Allen Con	0.20	0.8	16	19	25	24⅞	24⅞	
27¼	20⅞	Allergan x	0.40	1.6	16	801	24⅞	24⅝	24⅝	+⅛
39⅛	28⅞	Allnce Cap x	2.51	7.8	12	143	33⅞	32⅞	32⅞	-⅛
12½	9¼	Allnce Gl	0.18	1.9		96	9½	9¼	9⅜	-⅛
21¼	18¼	Alld Irish	0.82	4.4	11	10	19	18½	18½	
61¼	40⅞	Alld Sig	1.00	1.8	15	698	57⅛	56⅝	56⅞	+⅛
11⅞	9⅞	AlstMunTr x	0.78	7.7		137	10⅛	10	10⅛	+⅛
9⅞	7½	AlstIncOp x	0.63	8.3		634	7⅝	d7½	7⅝	+⅛
10½	8¼	AlstMuInc x	0.72	8.6		244	8⅜	8¼	8⅜	-⅛
10¼	8⅞	AlstMnInc x	0.60	6.6		82	9¼	9⅛	9⅛	
48⅞	34¼	Alltel Crp	1.80	3.4	19	498	u47¼	46½	47⅛	+⅝
8⅞	5	Allwaste			18	741	6⅛	6⅞	6	
80⅝	61	Alcoa x	1.60	2.4	157	3071	67⅞	67¼	67⅞	+⅛
55⅛	33½	Alza Cp A			66	2137	40½	39¾	40	-⅛
11½	10¼	AmGovInc x	0.96	8.9		202	10¾	10⅝	10¾	+⅛
8½	6½	Am Precis	0.22	2.8	17	10	7⅞	7⅞	7⅞	
25⅞	15	Amax x	0.80	4.7	25	1976	17¼	17	17⅛	+⅛
12⅞	6⅜	Amax Gold x	0.08	1.0	95	509	8⅜	8⅛	8⅜	+⅛
1⅛	⅜	Ambase Cp			1	499	½	⅜	⅜	-1/16
25	11⅛	Amcast Ind	0.48	3.2	9	102	15⅜	15⅛	15⅛	
61¼	38⅜	Amerada He	0.60	1.3	61	1267	46⅝	45⅞	46¼	
10⅞	10	Am Adj R x	0.86	6.6		126	10⅜	10¼	10¼	-⅛
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

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NYSE COMPOSITE PRICES

Continued from previous page

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
70⅝	52¼	Sch'berger	1.20	1.9	19	2617	62⅞	61⅝	61⅞	-¼
37¼	16⅞	Schwab(C)	0.24	1.0	13	2032	24¾	23⅜	24½	+1⅛
10⅜	4½	Schwitzer			87	137	6½	6¼	6⅜	-⅛
34½	15¼	ScientAtln	0.16	0.5	38	2932	u34¾	34	34⅛	+⅛
10⅞	7⅛	Scotman	0.10	1.1	76	10	9⅛	9	9⅛	-⅛
48	34½	ScottPaper	0.80	2.2	76	476	37¼	36¾	37⅛	+⅛
17½	13½	ScuddrNAsF	0.22	1.5		32	15	14¾	14¾	-⅛
9⅜	8	ScuddrNEuF	0.30	3.7		148	8⅛	8⅛	8⅛	+⅛
24	13	Sea Conts x	0.45	3.4	6	20	13⅜	13⅛	13⅜	
15¾	14⅞	SeaC1.4625	1.46	9.5		5	15¼	15¼	15¼	
31	25⅛	Seagram Co	0.58	2.1	14	946	27⅛	26⅜	26⅞	
32	21⅝	Seagull En			82	4475	31	30⅜	30⅜	-1
28½	20½	Sealed Air			22	111	23¾	23⅜	23⅝	-⅛
23	12⅛	SPX Corp	0.40	2.0	15	663	20⅜	20	20⅜	+⅛
48	37	Sears Roeb	2.00	4.6	36	9488	44	43⅝	43¾	
12¼	11⅞	Seligm Sel	0.84	6.9		63	12⅛	12	12⅛	
31⅛	22½	Sensormat	0.30	1.0	24	207	29⅛	28⅜	28⅞	-⅛
51	33¾	Sequa A	0.60	1.6	38	18	37⅛	37⅜	37⅝	+⅛
56	41	Sequa B	0.50	1.2	22	6	41½	41½	42	
18¾	15¼	ServiceCpI	0.40	2.4	15	1614	17⅛	16⅜	16⅞	-½
29⅞	22	Servicemtr	1.18	4.2	11	92	28⅝	28¼	28¼	-⅛
26⅞	17	Shaw Ind	0.30	1.2	25	179	25⅞	25½	25¾	-⅛
19¼	8⅞	Shawmut Nt	1.00	6.1	25	2548	16¾	16¼	16½	+⅛
10¼	6⅜	Shelby Wil	0.24	2.8	38	33	8½	8⅜	8½	+¼
58½	45⅞	Shell Tr&T	2.75	5.4	11	398	50⅞	50⅝	50⅝	+⅛
30⅞	25⅞	Sherwin Wi	0.44	1.6	17	1246	29⅞	29	29	-⅛
27⅛	16⅛	Shoneys			20	757	23⅝	23⅛	23½	
[illegible]										

NASDAQ NATIONAL MARKET

3 pm November 12

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
[illegible]							

AMEX COMPOSITE PRICES

3 pm November 12

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
[illegible]							

Price data supplied by Telekurs.

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AMERICA

Retailers feature as Dow loses early gains

Wall Street

US share prices failed to find their footing as the market gave up its early gains to move modestly lower at midday, *writes Karen Zagor in New York.*

At 12.30 pm, the Dow Jones Industrial Average stood 3.51 lower at 3,236.82 on volume of just under 126m shares. Declines outpaced advances by 840 to 755. The mixed tone was reflected elsewhere with the Standard & Poor's 500 off 0.31 at 421.89, the Nasdaq composite down 1.23 to 633.69 and the American SE composite up 0.33 at 389.14.

The day's economic news proved unexceptional for both stocks and bonds. Jobless claims for the week ended October 31 fell 5,000 to 355,000. Players had been looking for an increase of about 10,000. The figures initially boosted stocks and depressed bonds, lifting long-term market interest rates, but they failed to make a lasting impression on either, and by midsession prices were narrowly mixed in both markets.

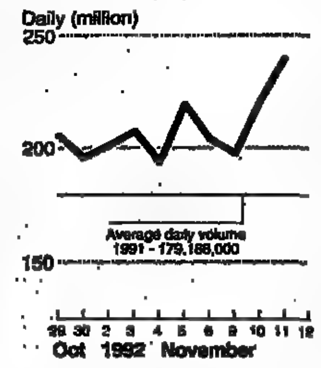
Third quarter results moved the Gap up $2⅛ to $33⅞ in active trading after the clothing chain posted third quarter net income in line with analysts' expectations. The Limited, which reported slightly improved net income earlier this week, added $⅛ to $24⅛. Land's End plummeted $4 to $25⅞ on flat third-quarter profits after expectations of a substantial improvement.

Federated Department Stores, which posted dramatically improved third-quarter results on Wednesday, consolidated its gains by adding $⅛ to $17⅞ in active trading.

Vons, a West Coast supermarket chain, rose $1⅛ to $24¼ after posting third-quarter net income of 51 cents a share. A year ago, the company had earnings of 42 cents including extraordinary gains of 10 cents.

Pharmaceutical stocks continued to rally as the sector recovered from earlier fears that a Clinton administration would immediately curb drug prices. Merck, the biggest US drug company, led NYSE trading, adding $1 to $45⅞. Abbott Laboratories rose $4¼ to $29⅞ and Pfizer firmed $⅞ to $77¾. Glaxo Holding, however, bucked the trend by slipping $¼ to $24¾.

A number of blue chips saw active morning trading including International Business Machines, off $⅛ at $64⅞ and GM, up $¼ at $30½.



Canada

TORONTO rose at noon in moderate trading, with the TSE composite index standing 8.81 higher at 3,295.20 in volume of 14.2m shares. Gains in financial services, industrials and oil and gas offset losses in metals and minerals.

Among active stocks, BCE rose C$½ to C$43⅞, Thomson Corporation was also up C$⅛ to C$14, Rogers Communication B shares added C$¼ to C$13½ and GTC TransContinental A shares rose C$¼ to C$7⅞.

Guerilla leader's capture prompts recovery in Peru

Sally Bowen describes a striking revival in Lima

In an impressive recovery, the Lima *bolsa* has turned in one of the world's best stock market performances over the past two months following the capture of Abimael Guzman, the guerrilla leader, on September 12.

After a 15 per cent gain in dollar terms in the second half of September, the general index leapt more than 30 per cent in October. It has subsided by about 5 per cent since then as investors took a breather.

Turnover rose to levels of around $1.5m per day, still only half the February-March peak but a substantial improvement on the past six months. Brokers say a shortage of willing sellers has kept the lid on what otherwise would have been more active trading.

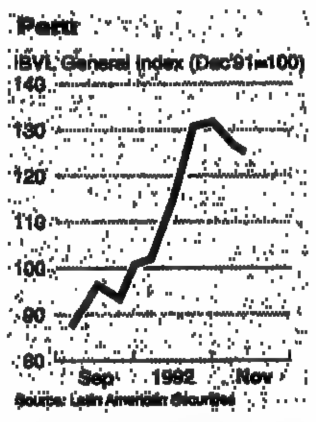
The market had been in the doldrums following President Alberto Fujimori's April 5 decision to dissolve congress and suspend the constitution. Stocks fell 23 per cent in six months.

But a recent chain of events has boosted the flagging market. Euphoria at the spectacular Guzman capture coincided in late September with approval by the IMF of Peru's economic stabilisation programme; then there was the signing of a $200m credit which had been frozen since the Fujimori coup.

A 30 per cent ceiling has been forecast officially for inflation for next year, exceptionally low for Peru. And recent legislation makes Peru arguably the most attractive country in the Latin American continent for foreign investors. There is still no capital gains tax payable on profits from shares.

The prospect of greater political stability is enhanced by next week's voting in of a new "democratic constituent congress". Even though Peru's principal parties are boycotting the November 22 elections, the return to democracy is expected to encourage the full resumption of international financial relations.

"It all adds up to the confidence factor, the spinal cord of investment," says a relieved stock exchange president, Mr Jose Luque Otero. "Flight capital is returning fast, and over half of current activity is due to foreign investment."



The small Lima *bolsa*, with some 300 quoted companies, has recently signed reciprocal trading agreements with the stock exchanges in Caracas, Bogota, Santiago and Barcelona. Foreign investment is likely to be boosted further by similar accords with Madrid, Mexico City and Buenos Aires.

Mr Lorenzo Sousa of Peruval, one of Lima's principal brokers, estimates that foreign buyers account for up to two-thirds of current business. The US and the British have moved in strongly, he says, since the early wave of buying that was dominated by Argentines and Chileans.

Outstanding performers over the past eight weeks have been telephone company shares – up more than 2½ times. CPT, the Lima telephone monopoly, in which the state has a 20 per cent participation, and wholly state-owned telecommunications group Entel, are due for privatisation in the second half of 1993, and trading is active.

Blue chip mining shares have also outperformed the index, recovering as the long-overvalued local currency gradually falls back against the dollar, favouring exporters. And the perennial favourites, breweries and cement, have remained firm. The state-owned package in Cementos Lima, worth an estimated $50m, is due for auction on the stock exchange floor before the end of 1992.

Enthusiastic Lima analysts are predicting a spell of "vigorous and sustained growth", with the prospect of prices doubling by March. Prices are still low by comparison with neighbouring countries, they say.

Realists such as Mr Sousa know that all is not yet plain sailing for Peru. Tough renegotiations with the Paris Club are scheduled immediately after next week's congressional elections. The Peruvian financial system is still far from stable and many inefficient industrial companies may yet face bankruptcy.

"But foreign investors who put their money in Peru have worldwide experience," says Mr Sousa. "They know which sectors are solid – beer, mining, cement. They are investing in certainties."

EUROPE

Senior bourses rise on French rate cut

A FURTHER cut in French interest rates lifted senior bourses yesterday, and although the Bundesbank held rates steady, its former president Karl Otto Pöhl said he expected the German central bank to relax its tight monetary grip next year, *writes Our Markets Staff.*

FRANKFURT saw the next best thing to an earnings upgrade as DB Research recommended Siemens after Wednesday's results, cyclicals responded to an improvement in sentiment and the DAX index rose 23.16 to 1,535.37 in turnover rose from DM4.6bn to DM6.5bn.

Siemens rose DM13.80 to DM572.50 after an 8.9 per cent rise in net profits and an unchanged dividend. Mr Günter Dielmann at DB Research said that the group had underperformed the DAX by 5 per cent since late September on bearish expectations about the results which, in the event, were at the top end of expectations.

Strength in carmakers, steels and engineering reflected a technical recovery after poor performance in recent weeks. Weakness in the construction sector, where Holzmann dropped DM13 to DM922 and Hochtief by DM11 to DM1,009, followed reports that the industry was cooling down further.

Schering and Dresdner Bank were the only two DAX stocks to show a loss. The pharmaceuticals company fell 50 pfg to DM738 on a fall in nine-month net profits. The bank stayed under pressure from its planned DM750m eurobond issue with equity warrants attached, closing DM3 lower at DM353.

PARIS saw gains in interest rate-sensitive stocks as the CAC-40 index ended 23.05 higher at 1,821.51 in heavy turnover of FFr3.3bn. BNP CIs put on FFr11.10 to FFr380 and Schneider added FFr21 to FFr585.

LVMH, which had fallen last week on fears of a trade war between the US and Europe, jumped FFr148 or 4.1 per cent to FFr3,740 on hopes that the Gatt talks would end favourably.

Saint-Gobain dropped FFr10 to FFr525 on disappointing nine-month sales which led several brokers to downgrade their earnings forecasts. Peugeot lost another FFr5.10 to FFr490.90 due to the poor outlook for domestic car sales.

MILAN interpreted reports of a reorganisation at Fiat as a sign that the group was about to sell off some of its subsidiaries, and shares linked to Fiat rose sharply. But a company spokesman said later that the plans outlined by Fiat's managing director, Mr Cesare Romiti, did not involve any asset sales. The Comit index fell 1.8 to 448.19 in turnover estimated at around Wednesday's L305bn.

Trading was also influenced by the end of the account today as operators adjusted their portfolios. Analysts expect the market to perform well in the December account on year-end window-dressing and the prospect of further positive developments on the budget and the government's privatisation plans.

Among Fiat group shares, Cogefar, its construction unit, rose L405 or 19 per cent to L2,540 and Rinascente by L900 to L7,900. Fiat was fixed L37 lower at L4,457 but then rallied to L4,650 after hours.

STOCKHOLM fell 1.2 per cent in heavy trading as the dollar faltered and domestic interest rates climbed. The Affärsvärlden General index shed 8.10 to 714.50 in turnover of SKr573m after SKr486m.

Astra A shares fell another SKr4 to SKr585 on its nine-month earnings report but the B shares were steady at 573.

The forestry company, Korsnas, was the day's winner with a gain of SKr11 or 15 per cent to SKr84 after the holding company, Kinnevik, increased its bid for the company.

COPENHAGEN continued the advance prompted by Tuesday's repo rate cut, *writes Hilary Barnes*, with banks up by 4.2 per cent and shipping by 4.3 per cent as the all-share index put on 7.19 or 2.7 per cent to 269.21. Danske Bank rose DKr8 to DKr40 and Unidanmark by DKr10 to DKr143.

Novo Nordisk rose DKr15 to DKr525 on forecasts of 15 pre-tax profits growth in 1992 after a slightly disappointing third-quarter result.

AMSTERDAM was lifted by the dollar and a pleasing third-quarter earnings report from Royal Dutch. The CBS Tendency index ended up 1.3 at 105.10. Royal Dutch added Fl 2.10 to Fl 147.70, as dealers were encouraged by the company's positive outlook for the fourth quarter.

BRUSSELS closed higher as the interest rate cut in France fuelled expectations of a similar move in Belgium. The Bel-20 index rose 7.45 to 1,142.83 in turnover of BFr1.12bn. Among banks, Kredietbank added BFr150 to BFr5,890.

FT-SE Actuaries Share Indices

November 12	THE EUROPEAN SERIES							
Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1048.69	1051.23	1054.15	1057.60	1059.09	1059.14	1060.62	1059.91
FT-SE Eurotrack 200	1111.72	1116.02	1118.30	1120.52	1122.51	1121.41	1121.87	1120.89

	Nov 11	Nov 10	Nov 9	Nov 6	Nov 5
FT-SE Eurotrack 100	1045.16†	1054.50	1043.29	1038.28	1036.93
FT-SE Eurotrack 200	1108.98†	1117.70	1108.00	1111.70	1109.13

Base value 1000 (26/10/90) High/day: 100 - 1061.08; 200 - 1123.76 Low/day: 100 - 1048.69 200 - 1111.72 †Partial

ASIA PACIFIC

HK at another high as Nikkei recoups loss

Tokyo

A CALL for lower interest rates by a government official bolstered sentiment, and the Nikkei average recouped an initial loss on late afternoon buying by investment trusts, *writes Emiko Terazono in Tokyo.*

The Nikkei finished 58.78 up at 16,376.93. Traders had braced themselves as foreign selling and margin unwinding sent the index closer to the 16,000 psychological level; but it bottomed out at 16,089.87 after Mr Yuji Tanahashi, vice-minister of the Ministry of International Trade and Industry, said short-term money market rates were too high. It attained the day's high of 16,449.45 just before the close.

Volume remained flat, at 200m shares against 201m. In spite of the recovery in the Nikkei, declines still led advances by 586 to 309, with 186 issues unchanged. The Topix index of all first section stocks lost a net 1.45 at 1,246.88, and in London the ISE/Nikkei 50 index was off 0.26 at 1,006.82.

Some traders attributed the last-minute rise in share prices to options-related trading ahead of today's settlement of stock index options.

Dealers' short-term trading revived theme stocks, which had declined in the morning. Green Cross, the day's most active issue, rose Y20 to Y1,280.

Sega Enterprises, the game manufacturer, was one of the bright spots, moving ahead Y80 to Y9,150. Investors were encouraged by speculation of a good rise in profits for the current year. After the market closed, Sega reported an 83.4 per cent jump in pre-tax profits for the first half and a 91.3 per cent increase in sales.

In Osaka, the OSE average shed 195.04 to 17,637.20 in volume of 30.6m shares, its fifth consecutive fall, on stop-loss selling and margin-unwinding.

The Nagoya Stock Exchange announced that three brokerage houses – Kyoritsu Securities, Chuo Securities, and Ace Securities – will withdraw from options trading on the exchange, taking the number of withdrawals to 10. Cost-cutting may lead to further decreases in the number of brokers trading options on the NSE.

Roundup

ANOTHER mixed day for the Pacific Basin region was again featured by the Hong Kong market. Taiwan was closed because of a public holiday.

HONG KONG rose to its second consecutive record high as confidence in future Hong Kong profits outweighed worries over current Sino-British friction. The Hang Seng index recouped an early fall before ending 25.05 ahead at 6,447.11 in brisk turnover of HK$4.25bn.

HSBC Holdings, which placed HK$5bn in new stock on Wednesday, led turnover at HK$446m as it closed 50 cents lower at HK$67.

Hutchison Whampoa and Cheong Kong were active on persistent rumours that the former is planning a substantial placing. Hutchison added 40 cents at HK$17.50, while Cheong Kong dipped 20 cents to HK$22.90. A Hutchison spokesman declined to comment on any placing.

AUSTRALIA dropped to a 21-month low as a rise in October unemployment to 11.3 per cent from September's 10.8 per cent came in way above expectations and soured sentiment. After gaining 5 in early trading, the All Ordinaries index closed 19.2 down at 1,375.3 in turnover of A$226.3m.

News Corp defied the trend, climbing 30 cents to A$27 on the back of New York's overnight gains and reports that Merrill Lynch had added the stock to its research list. TNT, down heavily on Tuesday, recovered 2 cents to 57 cents.

SEOUL fell for the third day on profit-taking. The composite index lost 21.97 to 686.99 in Won64.6bn turnover, against Won97.8bn. Selling centred on heavily weighted Kepco and other large-capitalisation shares. Kepco and Posco shed Won1,000 each to go limit-down, closing at Won20,300 and Won25,700 respectively.

BANGKOK declined across the board as finance and securities firms heeded a request by the Bank of Thailand to reduce lending to investors.

The SET index fell 22.24, or 2.4 per cent, to 914.88 in turnover of Bt9.81bn, the biggest daily loss since May and thinnest trade in three weeks.

KUALA LUMPUR swept to a higher close after a mild correction in recent days. The composite index put on 5.43 at 603.23 in 233m-share volume.

NEW ZEALAND ended broadly firmer in spite of softness in Australia. The NZSE-40 index rose 3.14 to 1,405.96 in turnover of NZ$18m.

BOMBAY saw widespread gains after the BSE board imposed restrictions on sales to halt a market slide. The BSE index added 45.28 at 2,641.81.

SOUTH AFRICA

CONTINUED demand for quality shares and speculative buying on expectations of a firm Wall Street boosted Johannesburg in the afternoon. Industrials rose 27 to 4,059, golds put on 4 to 768 and the overall index added 15 to 3,044.

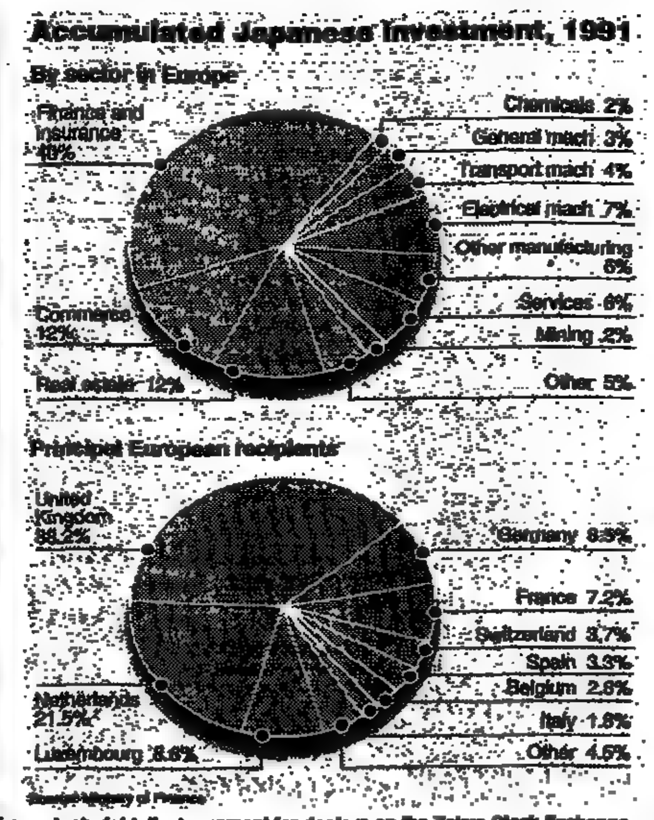
FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY NOVEMBER 11 1992								TUESDAY NOVEMBER 10 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (68)	112.10	−0.1	108.91	87.87	92.38	107.81	−0.1	4.52	112.26	109.93	88.27	93.15	107.96	153.68	112.10	158.05
Austria (19)	138.51	−0.4	134.57	108.57	114.14	114.72	−0.5	2.46	139.02	136.14	109.33	115.36	115.34	186.70	138.51	170.05
Belgium (42)	136.04	+0.5	132.17	106.63	112.10	109.37	+0.0	5.63	135.42	132.61	106.48	112.36	109.37	152.27	134.41	134.06
Canada (114)	114.85	+0.2	111.58	90.01	94.63	105.28	+0.3	3.31	114.65	112.27	90.15	95.13	104.94	142.12	112.97	144.28
Denmark (33)	193.42	+2.2	187.92	151.61	159.39	159.82	+1.5	1.72	189.25	185.32	148.82	157.03	157.52	273.94	184.18	261.06
Finland (15)	70.62	+1.7	68.61	55.35	58.19	74.03	+1.1	1.91	69.43	67.99	54.60	57.61	73.22	89.80	52.84	86.16
France (100)	147.64	+0.7	143.44	115.72	121.65	124.02	+0.0	3.64	146.68	143.64	115.34	121.70	124.02	168.75	144.70	144.87
Germany (64)	104.66	+0.4	101.69	82.05	86.25	86.25	−0.3	2.67	104.28	102.12	82.01	86.53	86.53	129.69	102.51	112.58
Hong Kong (53)	261.41	+2.3	253.98	204.90	215.42	259.45	+2.3	3.47	255.45	250.15	200.87	211.97	253.57	261.48	176.36	174.49
Ireland (16)	126.81	+2.3	123.20	99.39	104.49	106.93	+1.7	5.09	123.98	121.41	97.50	102.88	105.12	173.71	123.98	161.74
Italy (77)	58.68	−0.5	57.01	45.99	48.35	59.38	−0.7	3.50	58.95	57.73	46.35	48.91	59.82	80.86	47.47	70.61
Japan (472)	100.89	−0.2	98.02	79.08	83.15	79.08	−0.5	1.07	101.06	98.96	79.47	83.86	79.47	140.95	87.27	139.17
Malaysia (69)	279.38	+0.1	271.43	218.97	230.21	271.58	+0.0	2.42	279.19	273.40	219.63	231.65	271.46	282.42	212.49	212.05
Mexico (18)	1531.35	+0.5	1487.79	1200.31	1261.89	5220.47	+0.4	1.15	1523.70	1492.09	1198.17	1264.30	5201.05	1789.77	1185.84	1376.41
Netherland (25)	150.39	+0.0	146.11	117.88	123.93	122.42	−0.6	4.63	150.40	147.28	118.26	124.80	123.21	169.70	147.88	147.14
New Zealand (13)	38.25	−0.7	37.17	29.99	31.52	38.81	−0.5	5.84	38.53	37.73	30.30	31.97	39.02	48.52	37.39	49.39
Norway (22)	131.80	−0.1	128.05	103.31	108.61	115.46	−0.9	2.10	131.95	129.21	103.76	109.49	116.50	192.95	131.36	186.76
Singapore (38)	201.16	+0.6	195.44	157.68	165.76	151.71	+0.6	2.17	199.94	195.79	157.22	165.90	150.74	229.63	179.65	210.47
South Africa (60)	142.26	+1.4	138.22	111.51	117.23	145.47	+0.9	3.51	140.34	137.43	110.35	116.44	144.16	263.60	138.37	267.36
Spain (46)	107.53	+0.4	104.47	84.29	88.61	92.42	−0.3	6.49	107.10	104.87	84.22	88.86	92.69	161.72	107.10	150.43
Sweden (31)	155.23	−1.6	150.81	121.66	127.92	137.06	−2.3	2.86	157.74	154.47	124.05	130.89	140.35	200.28	149.69	180.65
Switzerland (60)	107.84	−0.2	104.77	84.53	88.88	95.64	−0.6	2.24	108.05	105.81	84.97	89.67	96.19	122.37	95.99	98.26
United Kingdom (228)	163.45	+0.2	158.80	128.11	134.68	158.80	−0.6	4.62	163.16	159.78	128.29	135.37	159.78	200.07	162.78	180.68
USA (522)	172.65	+0.8	167.74	135.33	142.28	172.65	+0.8	2.84	171.20	167.65	134.63	142.06	171.20	173.30	160.92	161.59
Europe (780)	132.48	+0.2	128.71	103.84	109.17	118.74	−0.5	3.96	132.22	129.47	103.97	109.71	119.30	156.88	131.85	142.95
Nordic (101)	143.76	−0.3	139.67	112.68	118.46	119.71	−1.0	2.44	144.20	141.21	113.39	119.65	120.97	186.52	141.24	165.00
Pacific Basin (713)	106.42	+0.0	103.39	83.42	87.70	85.13	−0.3	1.42	106.43	104.22	83.69	88.31	85.37	141.97	93.70	140.37
Euro – Pacific (1493)	116.96	+0.1	113.64	91.67	96.38	98.61	−0.4	2.59	116.86	114.44	91.89	96.96	98.97	145.21	113.80	141.74
North America (636)	169.06	+0.8	164.25	132.53	139.34	168.07	+0.8	2.96	167.69	164.21	131.88	139.16	166.70	170.49	158.70	160.44
Europe Ex. UK (552)	113.60	+0.2	110.37	89.06	93.63	96.91	−0.4	3.49	113.36	111.01	89.16	94.09	97.27	132.98	112.24	120.47
Pacific Ex. Japan (241)	160.73	+1.0	156.16	126.01	132.46	147.63	+1.0	3.60	159.17	155.87	125.18	132.09	146.20	175.31	149.00	162.09
World Ex. US (1685)	118.03	+0.1	114.68	92.52	97.27	100.59	−0.3	2.61	117.90	115.45	92.72	97.83	100.91	146.91	116.18	143.93
World Ex. UK (1979)	132.87	+0.5	129.09	104.15	109.50	119.16	+0.3	2.53	132.27	129.53	104.02	109.76	118.84	150.58	127.21	145.77
World Ex. So. Af. (2147)	135.60	+0.4	131.74	106.29	111.75	122.42	+0.2	2.74	135.03	132.23	106.19	112.05	122.21	153.06	130.04	148.02
World Ex. Japan (1735)	155.07	+0.6	150.66	121.56	127.81	148.12	+0.4	3.32	154.11	150.91	121.20	127.90	147.53	165.40	151.93	155.33
The World Index (2207)	135.53	+0.4	131.68	106.24	111.69	122.67	+0.2	2.75	134.96	132.16	106.13	111.99	122.46	153.70	130.66	148.81

Constituent change with effect 13/11/92: Deletion: Compagnie Fonciere Int. (France). Latest prices were unavailable for this edition.

JAPAN AND THE EUROPEAN COMMUNITY



Japanese worker (left) on the assembly line at Nissan's UK car plant; right, lively moment for dealers on the Tokyo Stock Exchange – but the pace of financial deregulation is slow (see page 5)

IN THIS SURVEY

Editorial Production: Michael Wiltshire.

Evidence of growing goodwill

Ian Rodger highlights efforts towards political and economic co-operation between Tokyo and Brussels

A FEW months ago, a Japanese tourist, one of thousands who each year ride the famous cog railway to the Jungfraujoch high in the Bernese alps, was horrified to discover a frenzy of Japanese graffiti scrawled on the rocky peak.

Looking closely, he even discovered the signature of the deputy mayor of his native town of Kurobe, and when he got home he complained. The deputy mayor admitted his crime and offered to pay for the clean up.

Responding in kind, the Bernese said they were touched by the offer, but they welcomed Japanese visitors and did not mind having to clean off the graffiti every few years themselves.

It was a small incident, but it would be nice to think that it is representative of a growing goodwill between Japanese and European peoples.

Goodwill was massively present during the memorable Japan Festival in Britain last autumn, and other European countries are now trying to set up similar festivals.

It also seems to be reflected in efforts in the past few years to deepen and strengthen political and institutional relations between Tokyo and Brussels.

Japan and Europe certainly have many good reasons to get to know each other better. They are both emerging global powers, struggling to find roles in the post cold war world order, and sharing the frustrations of operating in the shadow of the US. They also share anxiety about the future of their giant but crippled mutual neighbour, Russia.

Thanks to a large and growing volume of industrial investment in each other's territory, they both have a big interest in each other's economic health. And Japanese industrialists have been prominent among those monitoring closely the drama over the Maastricht treaty *(see pages 2 and 4)*.

While bilateral cultural links have not been as strong as those that each has with the US, there is nevertheless a deeply rooted base. A legacy of European influence on Japan's entry into the modern world in the second half of the 19th century is still widely present in Japanese language and customs.

An X-ray in Japanese is a *rentogen* (from Röntgen, its German inventor), a ski slope is a *gelände*. The transliteration of English sounds into Japanese characters is based on British pronunciation, not American.

Nevertheless, the relationship has remained superficial, dogged by misunderstandings and mistrust at the official level and plagued by stereotyping at the popular level.

A recent study of British newspapers' treatment of Japan found that the popular papers still concentrate on war atrocity and 'funny Jap' stories. In France, senior politicians could, until recently, score popular points by making insulting remarks about Japanese.

Similarly, many Japanese still hold simplistic and patronising views of Europeans as self-satisfied and lazy custodians of art galleries and baroque palaces.

Until the late 1980s, official contacts between Japan and European countries were, as with almost all of Japan's external relationships, essentially one dimensional, concerned only with trade and economic relations.

The conditions for change were set in the aftermath of the Plaza revaluation of the yen in 1985 when Japan's economic superpower status came to be recognised for what it was. Japanese leaders gradually began to accept – and in rare cases, to covet – a greater role in world affairs.

In a landmark speech at the Mansion House in London in May, 1988, Mr Noboru Takeshita, the then Japanese prime minister, declared that the era of US domination of the West was over and that a structure of joint leadership by the "trilateral partners," as he called the US, western Europe and Japan, was emerging.

"There is an imperative need for effective and balanced co-operation, both politically and economically, between the trilateral partners," he said. "It cannot be denied, however, that the relations between Japan and Europe, which form one side of the triangle, have not been close enough, compared with the other two sides."

Today, few would dispute that progress in building closer relations between Japan and Europe has been disappointly modest. It has often seemed that the EC was dragging its feet, but Mr Peter Ludlow of the Centre for European Policy Studies in Brussels puts most of the blame on the Japanese – "the number of common issues Japan is willing to talk about is rather limited," he says.

IN November, 1990, following the signing of a comprehensive bilateral accord between the US and the EC, Tokyo proposed that a similar treaty be negotiated between the EC and Japan. Brussels agreed, but negotiations were tortuous.

Tokyo tried to take the high road, seeing the treaty as a way to set up frameworks for regular contacts on political and strategic matters and for cultural and scientific exchanges. But the EC wanted to insert clauses requiring Japan to open its markets and to agree that both sides would seek "a balance of benefits" from the relationship.

In the wake of the signing of the Joint Declaration in July, 1991, the EC has certainly not restrained its tendency to pursue trade issues.

Last year, Japanese exporters were the subject of six definitive anti-dumping decisions, compared with only three in 1990. Also, after years of testy negotiations, the EC won agreement to restrict Japanese car imports until 1999.

On the political front, however, little has been achieved, and with each side more and more preoccupied with problems in its own region, there is little prospect of further progress at the moment.

As Mr Tomohiko Kobayashi, Japan's ambassador to the EC, acknowledged in an interview for this survey. "At this point, we cannot do very spectacular things."

It would be wrong to be too disappointed about this state of affairs. The triangle, which has become an oft quoted symbol of the need for building up the EC-Japan relationship, is probably too ambitious a representation of the possibilities.

Neither side is yet willing or perhaps able to threaten its relationship with the US to strengthen their bilateral ties. And each has security and foreign policy priorities elsewhere – the EC in eastern Europe, Japan in east Asia – that for the foreseeable future are likely to rank ahead of their bilateral relationship.

Meanwhile, however, contacts at the individual, corporate and institutional levels are multiplying and deepening. For example, more than 200 Japanese owned companies now carry out research and development activities in the EC. Exchanges of managers, professionals, teachers and students, not to mention tourists, have mushroomed in the past decade.

All of which should, like the gesture of the deputy mayor of Kurobe, help to build the goodwill upon which a stronger political relationship can eventually be established.

JAPAN AND THE EUROPEAN COMMUNITY 2

Lionel Barber on Japan's relations with the European Community

Big stake in EC's future

JAPANESE FOREIGN DIRECT INVESTMENT ($bn)

REGION	1987	1988	1989	1990	1991
Europe	6.6	9.	14.8	14.3	9.4
North America	15.4	22.3	33.9	27.2	18.8
Asia	4.9	5.6	8.2	7.1	5.9
Latin America	4.8	6.4	5.2	3.6	3.3
Others	1.7	3.6	5.4	4.7	4.1
WORLD TOTAL	33.4	47.0	67.5	56.9	41.5
In EC-12*	**1987**	**1988**	**1989**	**1990**	**1991**
UK	2.5	4.0	5.2	6.8	3.6
Netherlands	0.8	2.4	4.5	2.7	2.0
Luxembourg	1.8	0.7	0.7	0.2	0.3
Germany	0.4	0.4	1.1	1.2	1.1
France	0.3	0.5	1.1	1.3	0.8
Spain	0.3	0.2	0.5	0.3	0.4
Belgium	0.1	0.2	0.3	0.4	0.2
Ireland	0.1	0.0	0.1	0.05	0.1
Italy	0.1	0.1	0.3	0.2	0.3
Portugal	0.01	0.01	0.1	0.1	0.0
Greece	-	-	-	0.0	0.0
Denmark*	-	-	-	-	-
TOTAL	6.41	8.51	13.9	13.25	8.8

FOREIGN DIRECT INVESTMENT IN JAPAN ($bn)

REGION**	1987	1988	1989	1990	1991
Europe	0.5	0.8	0.6	1.4	1.4
US	0.9	1.8	1.6	0.7	1.3
Others	0.6	0.3	0.4	0.5	1.0
Japan	0.2	0.3	0.2	0.2	0.6
WORLD TOTAL	2.2	3.2	2.8	2.8	4.3

By principal EC countries ($bn)

	1987	1988	1989	1990	1991
UK	0.05	0.1	0.08	0.05	0.4
Germany	0.05	0.2	0.1	0.3	0.2
France	0.02	0.03	0.03	0.07	0.05
Netherlands	0.07	0.2	0.3	0.7	0.3

** Figures for Denmark are unlisted. Historically, Japan's foreign direct investment in Denmark has been the lowest of the twelve, amounting to a cumulative total of US$50m over the period of 1951-1989. **Direct investments by Japan are those by affiliates of foreign businesses in Japan. Sources: Japan's Ministry of International Trade and Industry.*

THE POLITICAL crisis in the European Community over the future of the Maastricht treaty has alarmed few countries more than Japan.

Whatever its faults, Maastricht seemed to offer a degree of stability and predictability to Japan's relations with the EC. Now that the fate of the treaty hangs in the balance, the Community faces a prolonged period of debilitating uncertainty. This is a prospect which worries the Japanese almost as much as the Europeans themselves.

Japan's cumulative investment in the EC amounts to more than $55bn. Although this represents less than half the Japanese investment in the US, it still marks a hefty stake in the Community's future. By the end of the decade, it is quite conceivable that the European market will become as important to Japanese industry as the American.

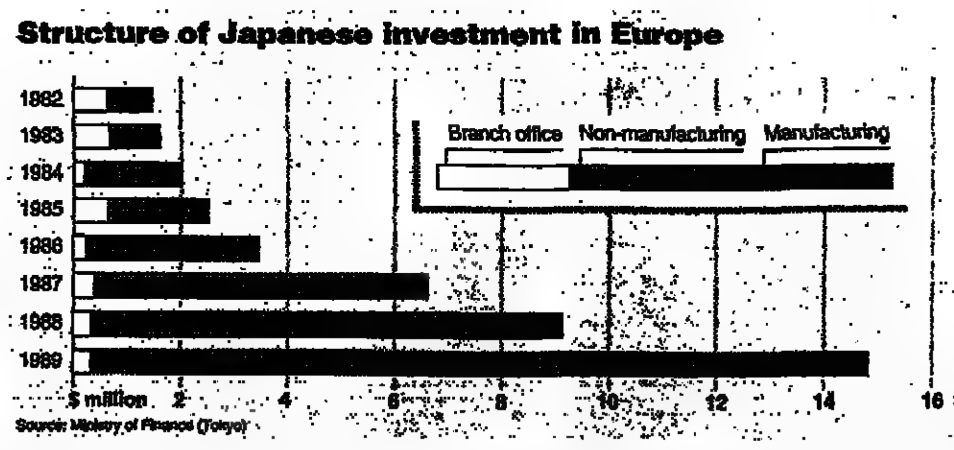
But Japanese concerns extend beyond measuring business confidence. The big question is whether a Europe increasingly preoccupied by crisis management and recession will become more introverted, more nationalist, and less predisposed to foreign competitors, particularly Japan. Two years ago, the prevailing mood was much more optimistic. Despite enduring tensions over trade, fears about a Fortress Europe constructed around the 1992 Single Market programme had largely dissipated as tentative efforts got underway to build a broader relationship between the Community and Japan.

This process led to the joint declaration in the Hague in July 1991 which for the first time attempted to treat Japan and the EC as two economic superpowers seeking a more mature relationship, rather than petty rivals squabbling over their respective shares of the European car market.

An EC report submitted to the European Council last spring summed up the new approach: "Both (Japan and the EC) are in many ways at a similar stage of taking up their responsibilities on the world stage, Japan because it is searching for ways of translating its economic power into political influence, the Community because it is adopting through the European Union institutions and mechanisms to enable it to play a stronger foreign policy role."

The gap between aspirations and reality is a common theme in the development of the EC.

Structure of Japanese investment in Europe



Source: Ministry of Finance (Tokyo)

Recent examples include the EC's dilatory response to the Gulf crisis and the painful divisions in Community ranks provoked by the civil war in Yugoslavia.

Since the Hague declaration, high-level contacts have taken place in areas such as the environment, development aid, science and technology and, more improbably, "Japan-EC" industrial co-operation – including training for 50 to 60 young European executives to spend 18 months in Japan to learn the language for one year and receive six months training in Japanese companies.

The most striking example of co-operation occurred earlier this year when, much to the surprise of the US, the EC and Japan joined forces at the World Environment conference in Rio, Brazil. American fears that this amounted to a new Brussels-Tokyo axis were premature; but as a senior Japanese diplomat noted, the Rio summit showed that Japan was willing, under certain circumstances, to step out of line with the US and play ball with the Europeans.

The Danish rejection of the Maastricht treaty last June has led to a fundamental change in atmosphere. The image of a European super-state, dominated by German industry and French technocracy skills has crumbled. In the new mood of Euro-centrism, there is obviously a risk that the single most important aspect of EC-Japan relations – trade – will come back to the fore.

In 1991, Japan's trade surplus with the EC rose to $27.4bn, an increase of 48 per cent. Japan explained this politically sensitive increase in three ways: a rise in exports to Germany due to an upsurge consumer demand in former East Germany; the increase in the value of the yen; and, most worrying, a decrease in Japan's imports of luxury goods due to the end of the consumer spending boom and the collapse in asset values and real estate.

However valid these explanations may be, the trade imbalance has once again focused attention in Brussels on the lack of market access in Japan, above all "structural obstacles" to trade. This has led to renewed debate on how best to prise open the Japanese market. One option is to build on the EC-Japan deal on Japanese cars in the single European market, tentatively called "Elements of Consensus". Under the still secret agreement, both sides have attempted to address the central issues of the level of Japanese transplant production in Europe and what share the European and Japanese motor industries should have in the European market's future growth, or, crucially, what share they should have in any decline in demand.

The deal is far from watertight, notably in its failure to secure any commitment from Japan to limit the production of Japanese cars in Europe, and the lack of clarity concerning how Brussels and Tokyo might share future EC car market growth and decline. But it still marks a clear step in the direction of managed trade, based on an effort to calculate *future* trends in the market.

Thus, EC officials are now looking at other European goods to check their performance in Japan and other foreign markets to establish more persuasive evidence on structural barriers to trade. Separately, they are reviewing the EC's own commercial instruments such as anti-dumping mechanisms as well as the US approach based on the Structural Impediments Initiative (SII).

Few officials in Brussels rate SII as an unqualified success; but they look enviously at the way in which SII addresses systemic barriers across all sectors of the economy, an intrusive approach which focuses nevertheless on matters that generally have a long time horizon such as the scope of exclusionary business practices in Japan, the distribution system, land use and the savings-investment gap.

See also page 4: Japanese business concerned over the Maastricht rows

Banking and financial markets

A painful period

THE Japanese banker looked at me sheepishly. "You know," he said hesitantly, "this is not a very good time to be writing about us."

Indeed, this is a painful period for Japanese bankers and securities companies in Europe. The high-flying 1980s, when easy money enabled them to grab big shares in the Euromarkets and launch bold forays into some European domestic financial markets, are over.

The collapse of the Japanese stock market has stripped the brokers of their most important profit stream and undermined the capital bases of most large banks. The slump in the Japanese economy has forced most industrial companies to slash their capital spending budgets and, consequently, to cancel the Eurobond issues that many used to finance them.

As a result of all these factors, both banks and securities companies have been forced to tone down their activity in Europe. This can be seen in the slide of the Japanese banks and brokers from the Euromarket league tables and the retreat of the Japanese banks from the interbank market. In London, for example, they account for only 30 per cent of the interbank market now, compared with 38 per cent at the peak three years ago.

"We all have to be more conservative in building assets," says Mr Tomonori Naruse, senior managing director for Europe of Bank of Tokyo in London.

There is, of course, nothing that Japanese organisations hate more than slowing down or admitting defeat. Until recently, they clung to the status quo, insisting that they had made long term commitments and hoping desperately that market conditions would improve. But by the middle of this year, it became clear that, with continuing weak conditions at home, there was no alternative but to cut back abroad – "it is still not as drastic a retreat as that of some US companies," Mr Seiichi Takeda, senior vice-president of Nomura Europe in London, says.

Last month, Nomura in London announced that it would retreat from market making in London of all European equities and several UK ones, causing some 50 redundancies from the 600 staff.

That was the first big cutback in London but others had already taken place in Zurich where Japanese banks and brokers have had an extraordinarily high profile. Until recently, there were no fewer than 42 Japanese financial institutions registered in Switzerland, reflecting the high volume of Eurobond issues that used to be done for Japanese companies on the Swiss franc market. Last month, Chuo Trust and Banking, the trust bank, announced that it had closed its Zurich subsidiary in response to poor trading conditions, and would concentrate its European activities in London and Brussels.

Chuo was the third Japanese financial company to shut its Zurich office this year, the others being Ryoko Securities and Yamatane Securities. Japanese bankers in the city say none of their number are making profits at the moment, so a few more could follow in the next few months. Nomura's Swiss subsidiary announced two weeks ago that it was closing its Basle branch. All of this is happening when there is, at least in theory, a rationale for financial institutions rationalising their operations in Europe. Next year, with the creation of the single market in the 12 EC countries and its extension to the seven countries in the European Free Trade Association, any financial institution that has a licence in one of the 19 should be allowed to operate in all the others. Chuo Trust, for example, expects to be able to continue to operate in the Swiss capital markets from its Brussels office.

In fact, however, complete harmonisation is probably still a long way away. France and Germany, for example, still do not allow financial institutions domiciled in other countries to be in the primary dealer group for securities issues, and they are showing no signs of being willing to change that stance. And while there is at least an EC banking directive that provides the framework for pan-European banking, the investment services directive that would do the same for securities and fund management is not expected to surface until the end of next year. As a result, Switzerland last month said that it too would continue to insist after January 1 that lead managers of Swiss franc issues have a domicile in Switzerland.

Thus, it looks as if there could be a rather brutal shakeout in the next few months, with the weaker Japanese institutions realising they have no future in Europe, while the strongest doggedly maintain their offices throughout Europe and, in a few cases, may even expand.

Nomura's Mr Takeda, for example, makes clear that the group's policy remains to have an independent presence in each of the leading European countries – "there are still a lot of peculiarities in individual country markets, so penetration of the European market really means penetration into each country," he says. Another problem is that as long as taxation systems are not harmonised, it will continue to be difficult to transfer capital and profits easily among European units.

Among leading Japanese banks, the accent is on rationalisation and on developing off balance sheet business after being wounded by bad loans to some of the spectacular bankruptcies in Europe. Japanese bankers say that branches in some less important cities could be reduced to representative offices. One ray of light is that the Japanese ministry of finance is likely from next year to allow them to lead manage Eurobond issues for Japanese companies. But it is a thin ray because it merely means that there will be more competition for the reduced amount of business around.

Bank of Tokyo is, ironically, an exception in still thinking of expansion, this year having upgraded its representative office in Vienna to a branch and opened an office in Moscow.

Ian Rodger

David Dodwell examines Japan-EC trade relations

Key lessons to be learned

NISSAN, the Japanese motor manufacturer, leapt in 1991 to become Britain's 14th largest exporter: 90 per cent of the cars built in its new UK plant are exported. It is playing a lead role – along with Toyota and Honda – in transforming the UK from a significant net importer of cars to a large net exporter.

The strategic investments by Japanese car manufacturers in the UK over the past two years provide some striking insights into the EC's trade relationship with Japan. UK car imports fell 10 per cent in 1990, and a further 31 per cent last year. At the same time, exports leapt 20 per cent in 1990 and a further 21 per cent last year.

The UK produces 400,000 more cars today than it did in 1984. Nissan alone spent £450m on supplies in 1991 – £350m of them coming from other UK companies. The trend will be magnified in 1993, when cars start rolling off production lines at Honda's plant in Swindon, and Toyota's Derbyshire factory.

The evidence is clear: Japanese investment is playing a critical role in transforming a once-moribund British motoring industry. It has boosted competition across Europe, forcing other manufacturers to improve quality.

Yet Japan, perhaps more than any other country, raises Europe's protectionist hackles. It is the hapless target of 150 import quotas, and of an average of 40 anti-dumping investigations every year. Products affected range from photocopiers and videos to toys, colour televisions and ball bearings.

In areas of trade and investment, the Japanese provide strategic role models

Behind this pressure from European industry for protection is a steadily-mounting trade surplus in Japan's favour. Exports to the EC rose from \$54bn in 1990 to \$59.6bn in 1991, while imports from the EC fell from more than \$35bn in 1990 to \$32bn in 1991 - leading to a visible trade balance in Japan's favour of \$27.6bn.

In the face of persistent complaints by "big industry" in Europe that Japan "dumps" products by using "predatory pricing policies", the European Commission has bowed again and again to demands for protection.

Sometimes "countervailing duties" are imposed. In other instances "voluntary" restraint agreements are reached under which Japanese exporters informally accept limits on the volume of products sold into the EC.

At the same time, European exporters complain that Japan's domestic market is impenetrable. They cite arcane distribution networks, informal agreements between vertically-integrated "families" of Japanese companies, and close collaboration between Japanese companies and the Ministry of International Trade and Industry (Miti).

Objective evidence in support of either kind of complaint is hard to find, however. In the words of a recent report on Japan by the Paris-based Organisation for Economic Co-operation and Development (OECD), "there is little evidence to support the contention that import impediments imposed by the [Japanese] government are a decisive factor in Japan's trade surpluses."

Similarly, the global trade watchdog, the Geneva-based General Agreement on Tariffs and Trade, concluded in its most recent study of Japan's trading practices that industrial groupings and local distribution practices "may be less important than is often claimed."

Using much more robust language, Mr Phillip Oppenheim, in his new book "Trade Wars", argues that "trade barriers in Japan have been, and are, exaggerated, often for self-serving reasons."

He attacks European industrialists who lobby Brussels for protection as "a pretty cossetted bunch of professional scapegoat-seekers."

Similar conclusions are reached by Mr Walter Eltis, director general of Britain's National Economic Development Office (Nedo) in a detailed study of the impact of recent Japanese trade and investment on British industry.

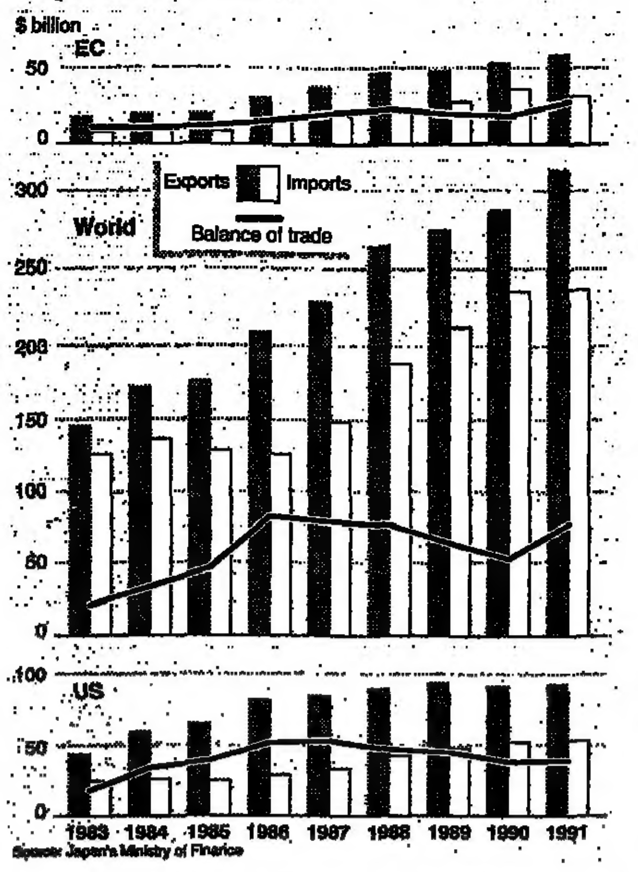
Drawing parallels with Japan's impact on the UK car industry, Mr Eltis recalls the collapse in the 1980s of Europe's colour TV industry in the face of Japanese competition. His evidence shows that producers like Philips or Thorn may have suffered, but that consumers and workers alike benefited.

While production by British-owned companies ground to a halt in 1988, the UK is now home for 18 of the 32 Japanese TV-manufacturing plants in Europe. A long-standing trade deficit in colour TV sets has been transformed, with the UK earning a £446m surplus in 1991.

"Today's mainly Japanese-owned industry is sufficiently competitive to make a very considerable net contribution to the balance of payments when the previous British-owned companies had entirely failed to achieve the price and quality standards set by international competition," he notes.

In parallel with Japan's growing trade surplus with Europe has been the ten-fold growth in Japanese investment over the decade, largely driven by the creation of Europe's single market on January 1 1993. After peaking at over \$67bn in in 1989, Japan's direct investment settled to \$45bn in 1990, lifting the cumulative total to more than \$250bn.

Japanese trade



Source: Japan's Ministry of Finance

While almost 80 per cent of Japanese investment has been in non-manufacturing areas like banking and insurance, the residual 20 per cent has generated an estimated 94,000 jobs in 500 plants across the EC – almost all opened since 1985, and at an "infant" stage where significant further expansion is expected.

The UK has been the prime target for Japanese investment, partly for reasons of language, regional incentives, and the role of the city of London, but significantly because of the British government's positive support for investment. In allowing wholly-Japanese-owned plants on green field sites, the UK government has enabled Japanese manufacturers to import state-of-the-art technologies, and labour relations unsullied by entrenched trade union practices.

One can argue therefore that within the EC, Britain has perhaps been the main beneficiary of trade and investment relations with Japan. Investment has helped to speed industrial restructuring, and has begun to create new industry attitudes to the concept of quality.

Although Europe's trade and investment relationship with Japan has generated much political heat, it is important to provide perspective by emphasising how comparatively small a part Europe continues to play as a destination of Japanese goods or investment. According to data compiled by Mr Jocelyn Probert at Insead's Euro-Asia Centre in France, Japan in 1991 accounted for 2 per cent of the EC's exports, while just 5 per cent of the EC's imports came from Japan.

The EC accounts for only 6 per cent of Japan's foreign investment, and in 1990 attracted just a quarter of the Japanese investment flowing into the US. This occurred at a time when the EC was the world's leading recipient of investment, accounting for almost 45 per cent of global investment flows in 1990. Needless to say, the US remains Europe's biggest source of investment.

A number of recent developments also suggest Japanese investment flows to Europe will slip back in the mid-1990s:

- Investment linked with "strategic positioning" ahead of creation of the single market is now mostly in place.
- Recession in Europe means that most recently-built Japanese plants have more than enough capacity to cope with foreseeable demand.
- The bursting of the "bubble economy" in Japan means that many of Japan's strongest foreign investors are hard-pressed, more inclined to pull in horns rather than add to investments overseas.
- Higher Japanese interest rates mean investment capital is more expensive today than it was throughout the 1980s.

Whatever the likely trend for the immediate future, the fact of the 1980s has been that Japan has emerged to play a significant role in the EC, both as an exporter and an investor. Most reliable evidence suggests that Europe is gaining more from this relationship than it is losing – whatever the special pleading of protected European manufacturers.

The best strategy for the 1990s must therefore be, in Mr Eltis's words, "to have the Japanese firmly inside Europe as role models for others to learn from . . . and learn with the greatest possible rapidity."

Cumulative Japanese direct investment abroad

☐ Cumulative amount, all countries, 1980: \$36.49bn; rising to \$352,392m in 1990, showing an average annual rate of growth from 1985-90 of 33.3 per cent.

☐ **In the US:** cumulative Japanese investment: \$8.8bn in 1980; rising to \$148.5bn in 1990; percentage distribution, 1980: 24.3; percentage in 1990: 42.2.

☐ Cumulative investment in Europe: \$4.4bn in 1980; \$68.6bn in 1990 (average annual rate of growth, 1985-90: 44.2 per cent).

☐ Amounts by country (also showing the average annual growth rate, 1985-90, in brackets):

☐ **United Kingdom:** \$2bn in 1980: rising to \$26.18bn in 1990; (annual average growth rate: 52.8 per cent).

☐ **Belgium/Luxembourg:** \$398m in 1980: \$7.8bn in 1990; (31.9 per cent).

☐ **France:** \$384m in 1980: \$4.97bn in 1990; (43.4 per cent).

☐ **Germany:** \$497m in 1980: \$5.85bn in 1990; (34 per cent).

☐ **Ireland:** \$149m in 1980: \$716 in 1990; (22.5 per cent).

☐ **Italy:** \$67m in 1980: \$1.22bn in 1990; (46.7 per cent).

☐ **Netherlands:** \$298m in 1980: \$14.77bn in 1990; (54.3 per cent).

☐ **Spain:** \$173m in 1980: \$2.24bn in 1990; (34.3 per cent).

☐ **Switzerland:** \$191m in 1980: \$2.55bn in 1990; (31 per cent).

☐ **Former USSR:** \$192m in 1980: \$299m in 1990; (9.1 per cent).

Source: US Department of Commerce, 1992

INVESTMENT IN MANUFACTURING

Time for rigorous assessment

IN CONTRAST to the 1980s, a decade that witnessed a frantic rush by Japanese companies to invest in the European Community, the 1990s are characterised by a more cautious approach by the Japanese to investment in the region.

The change reflects both the end of the first big wave of Japanese investment in the EC and the different economic climate in which Japanese corporations are finding themselves as business activity in leading world markets, including their home market, has remained depressed.

The number of new Japanese manufacturing investments in Europe has fallen from that in the previous year, according to a survey of Japanese manufacturers conducted by the Japan External Trade Organisation (Jetro) earlier this year.

After increasing by more than 100 each year since 1988, the Jetro survey found that the number of manufacturing companies with Japanese capitalisation of at least 10 per cent in 19 EC and EFTA nations rose by just 69 last year.

While the increase still represents an 11 per cent rise from 652 to 721, the pace has clearly slowed.

The fall in new investments comes despite the growing importance of the EC as a market in the eyes of Japanese executives.

It is not that Japanese companies are turning their backs on Europe but rather that most Japanese companies with an interest in setting up business in the EC have done so already.

At the same time, the recession combined with the serious cracks that have emerged within the EC months before the single market is set to start and the political turmoil in Eastern Europe and the former Soviet Union, have all contributed to a feeling that growth for growth's sake may not be the most sensible strategy.

Recessionary pressures, for example, have thwarted the plans of some medium- and smaller-sized companies which had planned to invest in Europe after setting up in the US, according to Mr Masao Kobayashi at Jetro.

The latest trend in Japanese activity in the EC is therefore not so much for investment by newcomers but for a more rigorous assessment by companies already located in the EC of their long-term plans for Europe.

This reassessment has brought about an interesting pattern of activity among Japanese companies in the region.

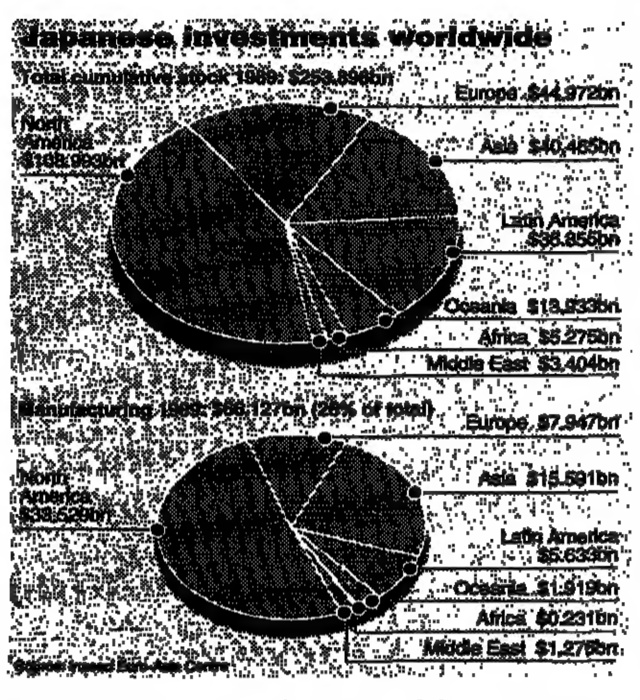
On the one hand, there has been a strong rise in recapitalisation by Japanese corporations in areas where they expect to see market growth.

At the same time, however, many Japanese companies are busy restructuring their European businesses to create greater efficiencies and a better co-ordinated regional operation. Here, the trigger seems to be the economic downturn rather than any immediate developments arising from the impending single European market.

Among the companies Jetro surveyed, more than 73 per cent have undergone or are undergoing recapitalisation. The reasons for doing so vary from the need to expand production or modernise facilities to diversification into new fields.

NEC, the world's largest semiconductor manufacturer, for example, recently announced it would invest £9m on a sophisticated order processing system in its semiconductor manufacturing plant in Livingston, Scotland, where the company has been located for 10 years.

Japanese investments worldwide



The trend indicates that in some areas, expectations among Japanese executives for the European single market have remained high despite the current economic weakness of the region.

Meanwhile, the world recession that is slashing the profits of corporate Japan has led to a greater awareness of the need to rationalise operations in the region.

Toshiba's Europe Office in London, for example, is currently busy considering ways in which the operations of 37 Toshiba companies in 11 European countries can be rationalised.

'Japanese investment in European manufacturing has not seen its full potential'

These Toshiba companies in the EC were set up over the years according to the different needs of each division. As a result, there are many areas of business that overlap and could be combined for greater efficiency.

"Until now, as long as sales increased it was still alright that there were so many separate Toshiba companies each with their own staff for various functions, such as advertising," says Mr Yuji Wakayama, general manager of corporate communications at the Europe Office in London.

The recession, however, has changed all that and the group is considering restructuring some manufacturing facilities as well, although no specific plans have been announced yet.

One step in that direction that has already been taken was to combine some of the functions of the PC sales companies in Belgium and Holland as neither country is large enough as a market to justify the presence of independent sales companies.

Another aim of the Europe Office is to co-ordinate European activities, advise on future strategies and become the corporate "face" of Toshiba in Europe. Before the new office was established, the group as a whole was not represented as each business division had its own European headquarters in various cities.

Toshiba is not alone is trying to restructure its European operations.

Other Japanese corporations are studying the possibility of relocating their European headquarters for various strategic reasons, according to Mr Haruo Ohtsuki, executive consultant in the international markets group at KPMG Peat Marwick, the management consultancy.

For example, more companies are expressing an interest in taking advantage of different corporation tax levels that exist in different countries within the EC, Mr Ohtsuki notes.

Nevertheless, the most widespread response among Japanese companies to the approach of the single European market has been to quicken the pace of localisation of their operations.

Asked what steps they were taking to prepare for the single market, over half of the respondents to the Jetro survey cited localisation of business activities by increasing employment of local staff and activities to benefit their local communities. There is also great interest in the goings-on in Brussels and some Japanese companies have taken moves to help them to better deal with the Commission.

A keen concern among Japanese companies is how the Community's relationship with its eastern neighbours develops amid the political unrest in eastern Europe and volatile situation in Russia. They are looking forward with great expectations – and fingers crossed – to the birth of a huge market spanning not just the European Community but all the way to the Russian steppes.

In the meantime, there could be more restructurings if the business climate remains weak. But Jetro believes that once economic activity picks up, there is plenty of room for new investments in the EC, particularly by medium to small-sized companies.

At the end of March 1991, Japanese investment in Europe amounted to only 22.5 per cent of total Japanese investment overseas, compared with 43.3 per cent invested in the US, according to the ministry of finance. The figures indicate that Japanese investment in Europe has not seen its full potential yet, Jetro concludes.

Michiyo Nakamoto

Charles Leadbeater in Tokyo looks at Japan's relations with the EC

Concern over market mechanisms

JAPAN'S relations with the EC are meant to be governed by the high flown commitments of their joint Hague declaration, adopted in July last year which talks of a deepening partnership based upon the common ideals of freedom, democracy and the rule of law.

Making the ideals of the Hague declaration a reality will be a long hard slog.

Nothing could better symbolise the difficulties which the EC faces in establishing its legitimacy and leverage with the Japanese authorities than the arrival of Mr Jean-Pierre Leng, the EC's current ambassador to Japan.

National ambassadors usually present their credentials to the Emperor. But previous EC ambassadors had been shuffled to one side and asked to present their credentials only to the foreign minister and latterly to the prime minister.

With Mr Leng's arrival the EC made it clear, politely but firmly, that it expected its ambassador to be treated on a par with ambassadors from its member-states.

Mr Leng did indeed visit the Imperial Palace to present his credentials to the Emperor. But only after a significant delay to his arrival in Japan.

The EC's relations with Japan are clouded and complicated by several factors.

Japan has a much more developed and intense relationship with the US, which has played a vital role in Japan's economic and political development since World War II.

Moreover the strategic and economic aspects of Japan's relations with the US are deeply intwined. The nitty gritty of trade discussions have been conducted within Japan's reliance upon the overarching framework of US foreign policy. The strategic relationship between the US and Japan has always been an important counterweight to growing friction over trade.

Not only is Europe's relationship with Japan less intense, it also largely lacks the balance of this strategic political dimension. The Hague declaration was an attempt to lay the foundations for such a relationship. But it has not got very far according to an EC review of its relations with Japan written in May this year. It said: "Progress on political dialogue has so far fallen short of expectations. There has been difficulty for reasons of timing in keeping to the schedule of meetings and when they have taken place they have shown that the dialogue between the Community and Japan falls behind that between the Community and the US, whereas the two should be more nearly on the same level."

Senior officials at the Japanese foreign ministry regard an integrated Europe as central to the architecture of a stable international order in the wake of the end of the cold war. However, that recognition of the historic significance of European integration will not be immediately reflected in Japanese policy.

The EC and Japan have sharply differing approaches towards aid to Russia. Japan insists it will not give bilateral aid until its dispute with Russia over the Northern Territory islands off Japan's northern tip, is settled.

The intricacies of EC politics are not easy to follow from Tokyo. This reflects cultural and practical difficulties.

Mr Seamus Gillespie, economic and financial counsellor at the EC embassy in Tokyo remarked :"Japan is quite culturally and ethnically homogenous. It has a quite centralised political system. It is difficult for the Japanese to recognise the diversity and fertility of political forms within a multinational Europe."

Japan's approach is further complicated by the varying strength of its bilateral relations with different EC member-states, in which the UK, the main destination for recent Japanese manufacturing investment is often presented as Japan's main friend in Europe. Some EC officials say Japan still plays off member-states against one another, for instance over inward investment into Europe when it needs to.

'Europe lacks both the political relationship and the institutional machinery with Japan to deal effectively with growing trade tensions'

However, EC officials in Tokyo say the differences between member-states are narrowing, policy-making is becoming more cohesive and, with it, the EC's credibility in Japan is improving.

Mr Mark Bedingham, chairman of the European Business Council says : "It can often be laborious and time-consuming to gather a common EC view on trade issues, first among industry and then getting it on to the Brussels agenda. But the EC is now accepted as the central body for trade negotiations and progress has been made in some important sectoral issues such as wines and spirits, and pharmaceutical testing."

The costs of a lack of well-developed strategic relationship and a machinery to match it, could be cruelly exposed in the next few years because trade tensions between the EC and Japan could worsen. Over the next decade, the single European market could become as important to Japanese industry as the North American market. However, Europe lacks both the political relationship and the institutional machinery with Japan to deal effectively with growing trade tensions.

Japan's trade surplus this year will grow to a record high and its surplus with the EC is growing at a faster rate than with the US. The May review of EC relations with Japan said the heart of the trade problem was "the structural obstacles which are currently the main barriers to doing business in Japan, whether by exporting or by investing there. Although some progress has been made through increase in infrastructure expenditure, more vigorous enforcement of anti-trust legislation and some liberalisation of distribution, the pace of structural reform remains frustratingly slow despite declarations of intention by successive governments."

The review identified the main problem as a failure of market mechanisms due to "ineffective competition policy, exclusive business practices, close and often obscure relations between the public authorities and the private sector and the over regulation of certain sectors."

Concern over these issues has led the EC to adopt a much tougher formal approach to monitoring its trade relations with the Japan, by comparing market share for EC industries in Japan with their shares in comparable third country markets. EC officials insist that as yet there is no justification or reason for a European version of the structural impediments initiative approach to trade launched by the US in 1989.

However, the EC is concerned that increasing bilateral trade negotiations between the US and Japan may discriminate against European producers. If the Japanese trade surplus grows next year while the European economic growth slows the EC may come under pressure to adopt a more assertive approach to trade.

The long hard slog may be about to become longer and harder than first thought.

Prominent European businesses are finding new ways into a tough market

How to win trade success in Japan

A EUROPEAN moving to Japan can enjoy the familiarity of a wide range of consumer brands that are well–known at home. German cars dominate the import market and are everywhere on the streets of Tokyo. The Shell logo hangs outside some 7,000 petrol stations around the country.

Yves Saint Laurent bags (and a host of look-alikes) hang from far more arms in Tokyo than they do in Paris. Industrious shoppers can buy Alpen cereal, and Body Shop cosmetics and browse for English imports at a local branch of Harrods. Competing for the slot as the top recorded music store in town is Virgin Megastores.

The Japanese market has a just reputation of being extremely hard to crack, yet a number of prominent European companies – particularly those who have been doing business in Japan for a long time – have blended into the local business scene to a point where they are virtually indistinguishable from the Japanese competition.

The oil industry is a case in point. The Royal Dutch/Shell group has been operating in Japan as Shell Sekiyu for decades and in 1985 merged its operation with Showa Oil. Shell now holds a 50 per cent stake in Showa Shell Sekiyu, one of the most prominent retailers of petrol in the country, and by far the most profitable refiner in an industry where profits are generally terrible.

Its Formula Shell unleaded petrol proved a huge marketing hit in a country where innovative products are easily sold at a premium. (Formula Shell was withdrawn from markets elsewhere in the world because of possible problems in the product's leaded variety.)

In short, Shell runs an integrated oil operation in Japan, including some overseas exploration, that is virtually indistinguishable from Shell's local operating companies elsewhere in the world.

Yet the virtues of getting in early, are well illustrated by British Petroleum. BP has a corporate presence, a trading operation, and is active in the chemicals business, but the costs and risks of trying to enter the refining and retailing business virtually bar it from participating in one of the most important oil markets in the world.

Trade statistics give a good indication of the sorts of industries where European companies have made an impact. Of the \$15.5bn in European imports during the first half of the year, 11.3 per cent consisted of food products; 19 per cent of chemicals and pharmaceuticals; 7.2 per cent of textiles and clothing; and 14.6 per cent automobiles.

Consumer goods with high quality or fashion appeal are in strong demand in Japan

Aside from chemicals and pharmaceuticals – industrial products where European companies often have a very clear technical and cost-of-production edge – European companies have tended to establish themselves on the basis of selling consumer goods that have a strong quality or fashion appeal.

Among the most successful companies are the German car makers – Volkswagen/Audi, BMW, and Mercedes Benz – who together account for a disproportionate 59 per cent share of the imported car market. They are successful in part because of the many years they have devoted to burnishing the image of their products.

Many educated Japanese will say that German cars offer superior engineering and more precise handling, as well as more distinctive style, than their Japanese counterparts even though consumers elsewhere in the world where Japanese cars have gained large market share would plainly not agree.

VW and Audi together claimed 23 per cent of the market; BMW 16 per cent, and Mercedes 17 per cent. German car sales have been hit by the downturn in the market, particularly Volkswagen, which is in the process of ending a long-standing agreement with its principal distributor, Yanase. Yet sales declines have been roughly in line with the market, which was off 11.3 per cent in the year to August, while sales of French cars fell by 27.5 per cent and Italian cars by 28 per cent.

Peugot, which had a market share of just 1.56 per cent and saw sales collapse by 46.6 per cent, has recently tied up with Inchcape, the British international distribution and marketing service company, in an effort to improve performance. Inchcape itself offers an interesting example of how to get going in the Japanese market, as well as a distribution route for other companies for whom costs of independent distribution are prohibitive. Indeed, Inchcape has begun distributing some products for foreign companies who have run afoul of Japanese joint venture partners.

"We've been here for a long time," says Mr Paul Hobkinson, president and group representative in Japan. "We are substantially a Japanese company."

A sales breakthrough in the Japanese market is often essential to worldwide success

Inchcape traces its first involvement in Japan to 1982. It now has a staff of about 1,500, only six of which are expatriate, and three of which have regional responsibility. Mr Hobkinson says longevity has several advantages. It helps when recruiting Japanese staff, who wonder whether their employer will be around not just next year, but when retirement comes. It even helps with the rent, where landlords often charge far below market rates to long-time tenants. As a long-time player, Inchcape is well integrated into Japan's complex distribution network, where contacts and detailed knowledge are key to success.

Inchcape likes to handle products where it can carve out a substantial and secure market share. Inchcape, for example, introduced the first beer kegs into the Japanese market, which was dominated by bottles, and now has a majority market share. It handles Domino commercial ink jet machines, which take about 25 per cent of the market after Hitachi's 35 per cent share.

It handles a range of other well-known products such as Royal Doulton, Mars Pet Foods and Filofax.

For many companies, however, being in Japan is more than a marketing opportunity. Worldwide, Philips, the Dutch electronics group, has embarked on a worldwide restructuring and refocusing of the business, but this has involved expansion and greater commitment in Japan. It was, after all, the success of the Japanese consumer electronics companies that has in part led to Philips current financial difficulties. Philips has a high reputation among its competitors for technology and innovation but a low profile among consumers. Mr Hendrikus Hoksbergen, who run's Philips operations in Japan, says: "When you can meet the competition in Japan, you can meet it anywhere."

Philips launched Digital Compact Cassette, its newest audio product, in Japan before anywhere else in the world.

Mr Hoksbergen says Philips must be active in Japan because of the large consumer market and the fact that Japan is the place where trends in consumer electronics, fashion and technology are being set. Philips also has plunged itself into the complex web of parts suppliers that has been an underlying strength of the Japanese industry.

Steven Butler

Japanese concern over Maastricht treaty rows

Fears over long-term impact

THE UNCERTAINTY generated by the rows over the Maastricht treaty have prompted executives at many Japanese-owned companies to be more outspoken than usual over political issues.

In Britain in particular, the most popular target for Japanese investment, companies are concerned that the bridge into the rest of the European community may be weakened. Mr John Major, Britain's prime minister, said last week that final ratification of the Maastrict treaty would be delayed until after a second Danish referendum next May.

Most Japanese-owned companies in Britain, contacted by the Financial Times, believe a division within countries over the Maastricht treaty could damage their businesses in the long term. They said their immediate business plans would not be affected, but that countries should move closer to each other, especially over the single market and single currency.

Mr Kazumi Ueda, managing director of County Durham bearings maker NSK, said: "The UK and other governments are being hasty in pushing it [the Maastricht treaty] through. A rejection would cause confusion for a short time [and] in the long term the treaty should be approved."

Other companies expressed their concerns more cautiously. Toyota, the car maker whose Derbyshire plant starts production next month, said: "The single market and stability are more important than votes in parliament."

More than two-thirds of production from the new Toyota plant will be exported to the Continent. The company said many people had assumed the fall in the value of sterling after the currency left the Exchange Rate Mechanism would improve profitability. But much of the gain was lost because half the components are to be imported from the Continent.

Sony, Britain's biggest manufacturer and exporter of televisions, from its factories in South Wales, said: "The Maastricht treaty represents the willingness of national authorities to consider Europe as a single entity. We welcome the idea of a single currency to simplify transactions between member-states."

Another large consumer electronics company, which did not want to comment officially, said: "The UK's economic position continues to deteriorate. It is important for Britain to move at the same pace as the rest of Europe."

Meanwhile, Honda, one of the newer arrivals from Japan, is investing £370m in its Swindon car plant – "part of the reason for our growth is that we now have an effective European headquarters [in Britain]. But there will be no effect on our business plans either way the vote goes."

Not all Japanese-owned companies were worried at the possibility of disruptions to the progress of the Maastricht treaty.

Mr Elfed Lewis, president of North Yorkshire car radiator-manufacturer ND Marston, owned by Nippondenso, is sanguine – "we have been trading in Europe for more than 10 years and the vote won't affect us very much," he added.

Much of the production is exported to Volkswagen and Volvo among others, and a single currency would nevertheless help, said Mr Lewis.

Daniel Green

Case Study: Hoechst chemicals and pharmaceuticals

Long-term commitment

WHEN Hoechst, the German chemicals and pharmaceuticals group, set up its Japanese arm in 1953, Japan was not yet the industrial power known today, and was largely seen as only a consumer market.

However, the expansion of Japanese industries in the past decade has forced Hoechst to change its strategy drastically, and the country's automobile and electronics industries have now become some of Hoechst's most important business partners.

"At a global group seminar in 1980, there was no talk about Japan," recalls Mr Horst Waesche, president of Hoechst Japan. "But later, when Japan became our competitors, we were suddenly asking ourselves: what are we going to do in Japan?"

Hoechst found that its long-standing relationship with the Japanese market and the familiarity of its name, made things easier in penetrating into the corporate relationships.

Sales at the Hoechst Japan group have grown to Y174.9bn – up 66 per cent from 1987 – and it holds a big market share in areas where it entered earlier.

For example, Hoechst has a 25 per cent market share in the agrochemical and herbicides market, while the company boasts a 30 per cent share in high performance pigments.

However, the need to transform its operations in Japan from that of a pharmaceuticals and chemicals trading company to a serious manufacturer, supplying leading automobile and electronics makers, has not been an easy task.

The company's basic strategy has been to build extensive production and research and development facilities, establish alliances with leading Japanese companies, and become suppliers to Japanese companies both in Japan and abroad.

Hoechst has spent Y80bn in the last five years on capital investments, including Y3.7bn on its new chemical plant north of Tokyo, completed in 1991. It has also decided to invest Y2bn for a new plant for fibre production. Some 40 per cent of Hoechst's products sold in Japan are currently produced locally.

In 1991, Hoechst and Mitsubishi Kasei, the leading chemical concern, agreed to co-operate in the development and production of polyethylene film, a move following a dyestuff joint venture between the two companies set up in the late 1960s.

Mr Horst Waesche of Hoechst Japan: "If a foreign company can provide competitive products, there is no discrimination."

Mr Waesche brushes off worries over the current slowdown in the Japanese economy as short term, describing the symptoms as just a readjustment phase.

"Japanese companies are still making far larger profits than European companies," he says, predicting solid growth in the years following a recovery.

Instead, Hoescht has longer-term prospects in mind. The company's pharmaceutical research laboratories will probably not show returns this century. Mr Waesche reckons that the long-term commitment is what counts. The company was also listed on the Tokyo Stock Exchange's foreign section in late 1991. The move came when trading on the TSE had slumped, prompting foreign companies to review the necessity of a Tokyo listing.

Last September, five international companies including General Motors of the US, Philips Electronics and News Corporation formally applied for delisting due to the high costs and administrative burden in spite of a sharp decline in their local shareholders.

Mr Waesche says he was surprised by the delistings, and adds that the listing is essential for their international profile, especially for recruiting skilled personnel.

Moreover, Japan will become more important due to the growth potential of China. Japanese manufacturing companies are already moving into China by setting up production plants. Mr Waesche says the significant role of Japanese industries in China's industrial growth provides great business potential for Hoechst as well.

Despite claims of unfair business practices among Japanese companies, Mr Waesche points out that if a foreign company can provide competitive products, there is no discrimination – "once you are in, things are fine. The important thing is to establish yourself inside the system."

Emiko Terazono

Japan's growing presence in the EC is leading to greater familiarity with what has long been the unfathomable Japanese way, reports **Michiyo Nakamoto**

A change in Japan's image

IN ITS recent history Europe has regarded Japan with conflicting feelings of fear and admiration but the image of Japan in the EC is beginning to undergo a significant change with the growing presence of Japanese corporations on European soil.

Japan's image in Europe has differed from country to country depending on the specific economic and political environment of the day. Broadly speaking, interest in Japan has been heavily geared towards industrial and economic issues, with politics, social and cultural themes providing an entertaining additional insight into the nation and its people.

The result has been to exaggerate the impression that Japan is a nation of economic animals who put business before all else and are deprived of the high quality of life enjoyed by many Europeans.

Japan is seen in Europe as a nation of disciplined and dedicated workers where a rigorous educational system, a stable social order and co-operation between industry and government have produced a twentieth century economic miracle.

But this admiration in Europe for Japan's industrial achievements has been offset by incredulity at what appear to many Europeans to be deplorable living and working conditions in Japan and criticism of the collusive business and trade practices and closed society which are seen to be at the foundation of the country's economic might.

The more positive response to Japan contrasts sharply with the suspicion and hostility felt by some towards the "Japanese way" of doing things – the long working hours and group-oriented way of life – which has been seen to be the basis for the country's economic miracle.

Particularly in countries where nationalistic feelings have run strong, Japan's economic strength has been portrayed as having a price that would be too high for Europeans to pay.

The notorious depiction by Mrs Edith Cresson, the former French prime minister, of the Japanese as being like ants who have little time for anything besides work, is probably not very different from the view that many Europeans have of the Japanese.

The French elite have been scathing in their remarks about Japanese business practices – "the Japanese electronics industry has developed a fearsome war machine," and employs a long-term strategy that is pursued until "Japan has conquered the entire electronics industry," writes SGS-Thomson, the Franco-Italian semiconductor group, in a report.

Where a nation's elite feel threatened by the Japanese challenge, they will stoke popular fear, says Prof. Daniel Jones, professor of motor industry management at the University of Wales. Thus in France, where the Japanese onslaught poses a large threat to the elite who would be deprived of jobs if Japanese companies take over most industries, popular opinion has often been antagonistic.

While the image of Japan in Europe is not so far divorced from the reality, as far as working conditions, lifestyle, business practices and the way society works are concerned, there has perhaps been a tendency to read too much into these social differences and the role they have played in Japan's industrial success.

The large number of Japanese corporations being established throughout the EC is, however, leading to less of a hysterical portrayal of Japan as a nation of economic warriors and more of a concerted effort to take a direct look at what lies behind Japan's industrial prowess.

European executives are discovering that Japanese success does not stem from alien social factors but from different ways of industrial production

"We've been going through a learning process in most European countries," says Prof. Jones. Business executives are beginning to see that the Japanese success is not something that stems from alien social factors that would not be acceptable elsewhere but from a different way of production, he says. Prof. Jones is co-author of the book, *The Machine that Changed the World*, which identified the Japanese production process as the source of their success and attempts to explain it.

The growing presence of Japanese transplants in Europe has helped that learning process in Europe – "the more you look at the Japanese transplants you can see that that can be done outside Japan," he says.

While the UK has a big advantage in that respect, the French are also seeing changes in Japan's image among influential circles, according to Mr Claude Meyer, deputy general manager of Bank Europeenne de Tokyo and lecturer on Japanese economy at the Paris University Graduate School of Social Sciences.

"Even in business, the Japanese style of industrial management and processes is positively covered, including Japanese factories in France, and has led to some adaptations of industrial processes in French companies," he notes.

The changing environment in Germany, meanwhile, has brought about a shift in Japan's image in another direction. While the Germans have respected Japan's success, their own industrial might has meant that they have been less paranoid, at times almost dismissive, about the Japanese challenge. However, Professor Jones says that Nissan's launch of Lexus, the luxury car "sent a complete shock through the German system."

The Japanese have shown in Lexus that they could do very well in an area that the Germans felt was their own preserve. Now, the Germans are looking at Japan in a very different way and realising that they have to get their act together. *The Machine that Changed the World* has sold three times as many in Germany as in the UK.

Collaboration in research and development

All-round benefits

WHEN Mr Hirokazu Negishi, Canon's head of research and development for Europe, came up with the idea of a making stereo loudspeaker that would provide stereo effect to a much broader area than conventional box loudspeakers, he chose to develop the product in the UK.

After working on early prototypes, Mr Negishi called on the expertise of Mr Ian Flindell, an acoustics researcher at the Institute of Sound and Vibration Research at the University of Southampton to conduct psycho-acoustic research, and audio designer Mike Jewitt to play a leading role in the design of the innovative speakers.

The result, wide imaging stereo, which uses acoustic mirrors to give a wider stereo effect, became the camera maker's first audio product and was launched in the UK last year.

Canon is one of a growing number of Japanese manufacturers in the EC which have been reaping the benefits of conducting research and design activities in the region.

The number of Japanese manufacturers in the European Community with research and development facilities has surged from 73 just two years ago to 203 at the end of January this year, according to a survey by the Japan External Trade Organisation, (Jetro).

Japanese companies in a variety of industrial sectors, ranging from electronics to pharmaceuticals, have been encouraged to set up R&D facilities in the EC both by the need to localise their operations and the recognition that Europe is a rich source of scientific and intellectual talent.

"It is the third wave of Japanese investment in the EC," says Mr Steve Kremer, analyst at the Anglo-Japanese Economic Institute.

The first big wave was of investment in basic assembly facilities which was followed by investment by component suppliers. The third wave of investment in R&D facilities is the next logical step in the globalisation process of Japanese corporations.

The majority of Japanese R&D centres are still concerned mainly with the task of adapting products to local markets, either through cosmetic changes or by incorporating local components into existing designs, Mr Kremer says.

Higher value-added fundamental research is still a small proportion of the total and only 18 per cent of Japanese manufacturers responding to a Jetro survey cited basic research as an activity carried out at their R&D centres.

Nevertheless, the presence of Japanese R&D facilities in the EC has brought significant benefits not only to the Japanese companies concerned but to local academic institutions as well.

For European academic and research institutions, Japanese R&D activity, which has sprouted a growing number of collaborative relationships between corporate R&D organisations and local insitutions, has become a major source of research funds.

"It has certainly worked from the UK university's point of view," Mr Kremer notes.

"The timing is very good because universities are increasingly having to go out and find funds for their research projects."

Toshiba, for example, contributes substantial funds to Cambridge University where it conducts collaborative research with the Cavendish Laboratory. In addition to such collaborative projects, several Japanese companies with their own R&D facilities in the region commission local academic institutions to conduct research in areas where they cannot do so themselves either because of a lack of facilities or staff.

New research and development projects mark the third wave of Japanese investment in the EC

The Japanese have also benefitted from intellectual resources which are simply not available in Japan, according to Mr Kremer – "this country has some of the best brains in pharmaceuticals research, for example."

Many Japanese researchers point out that European researchers have much to teach the Japanese with their different approach to research and development.

Mr Negishi at Canon says that the Japanese approach to R&D tends to be evolutionary whereas in the west, the emphasis is creativity and big, revolutionary breakthroughs.

In addition, Japanese companies must often look abroad for help in specific fields such as pharmaceuticals and software where work has lagged behind the west. Canon's project to develop 3-D graphics based on software rather than hardware is another example of R&D that the group felt would be better done in the UK than in Japan.

The Japanese have been quick to tap the expertise of their EC partners. By locating its R&D Centre within Surrey Research Park, adjacent to the University of Surrey, Canon was able to call on the help of engineers at the University's music department while it was developing the wide imaging stereo.

"Many of these people have very sensitive ears," Mr Negishi says.

Similarly, Toshiba's Cambridge Research Centre, which is the group's first corporate R&D centre outside Japan, is located in the Cambridge Science Park.

Toshiba's R&D Centre, which is one of the more progressive of Japanese R&D facilities in the EC in that it conducts basic research, has access to university facilities and the use of laboratory equipment to carry out collaborative research projects.

In Germany, Matsushita, the electronics group, set up the Panasonic European R&D Centre near Frankfurt, last year.

The centre, which is working on different European television standards, has close relationships with the University of Frankfurt and research contracts with the University of Darmstadt as well as the Academy of Media Arts in Cologne.

Sony Broadcast and Communications Advanced Developments is the Japanese group's R&D centre in Basingstoke which focuses on professional broadcast and audio markets.

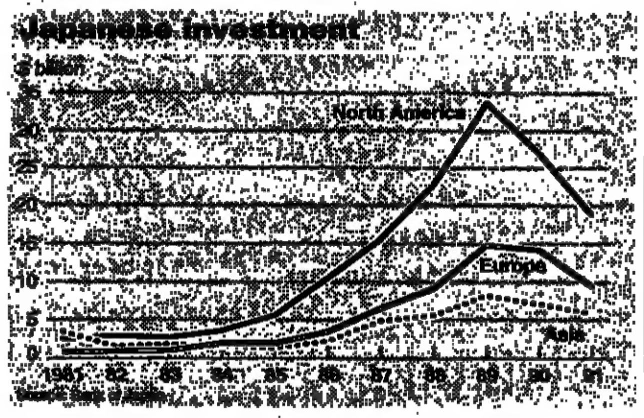
Taking the idea of global R&D a step further than most, Sony's research groups based in Japan, California, Australia and the UK are computer networked for extensive co-operation on projects.

Similar collaboration between Japan and the UK has recently produced a high quality convertor to integrate high definition TV with the European PAL system.

Michiyo Nakamoto

Japanese financial deregulation

New scope for European brokers and bankers



JAPAN'S ongoing financial deregulation has provided opportunities for European brokers and bankers, but it has also created contradictions for these institutions, which have generally carved off small slices of markets now subject to further deregulation.

Proposals to liberalise the heavily-regulated domestic corporate bond market could make life more difficult for foreign institutions specialising in Japanese business in the Euromarkets, while the planned entry of Japanese bank subsidiaries into investment trusts will intensify the competition in a crowded and, at the moment, shrinking market.

The liberalisation of Japanese markets has created opportunities for European banks, brokers and insurance companies, but the pace of that liberalisation could slow, as some senior officials at the Bank of Japan and ministry of finance consider that these changes are partly responsible for the mess in Japan's financial system.

These officials have been made cautious by the collapse of the stock market, the enduring weakness of property prices and the crisis in the banking industry. But other officials within the finance ministry argue that these crises would not have arisen if there had been more competition and better risk management.

The Tokyo Stock Exchange (TSE) has pointed the finger at foreign brokers, US and European, for allegedly dragging down stock prices through their playing of recently liberalised futures and options markets, and Japanese brokers were envious of the collective profits made by foreigners during the first half to the end of September.

During that six months, the 99 Japanese members of the TSE made a collective pre-tax loss of around Y210bn, while 25 foreign members made a profit of Y30bn, down from Y50bn in the previous period, but still large enough to draw attention to their activities in the derivatives markets.

The TSE argues that individual investors are intimidated by sudden price movements inspired by the foreigners' trading habits. These concerns prompted the Osaka Stock Exchange, under presure from the TSE, to lift margin requirements three times last year – the bulk of Japan's stock futures trading is done on the Osaka exchange, although the index is based on Tokyo cash prices.

In response, the council of the European Business Community in Japan has suggested that there be more consultation before rule changes are made. The TSE is presently conducting a study into the derivatives markets, and while European brokers are confident that the exchange will find the markets are not at fault, there is a fear that the exchange may need to be seen to justify its concern by making further changes to trading regulations.

The manager of a British house in Tokyo says that "arbitrary" changes in rules are against the spirit of internationalisation that the Tokyo exchange is wanting to cultivate. Some European brokers are booking a profit, but the industry is under pressure to restructure because of the continuing weakness of the Tokyo market.

A sign of the contradictory pressures created by financial reforms is the debate over the deregulation of stock brokerage commissions.

Japan's financial reforms are creating contradictory pressures

In principle, fees should be deregulated to bring Tokyo in line with other international financial centres, but foreign brokers warn that their market share could be squeezed in the competitive crush.

Officials from the London exchange have cautioned their Japanese counterparts about a sudden change in the commission structure and said attention must be paid to the extreme pressure on brokers in the Japanese market.

The difficulties faced by Japanese banks, badly bruised by their exposure to the domestic property market, have provided opportunities for European banks, though the traditionally close relationships between Japanese banks and domestic corporate clients, often extending to cross-shareholdings, are still strong.

At the third meeting of the Import Board of Japan's Ministry of International Trade and Industry (Miti) in July, the EBC complained that foreign banks' share of lending was only 1.5 per cent of the Japanese market. To increase that share, the EBC suggested that local banking rules should meet international standards and that deregulation should be quickened.

The most significant change in the banking market is the non-performing loan exposure of leading Japanese banks, which rose 54 per cent to Y12,300bn in the six months to the end of September.

Meanwhile, banks' trimming of assets to meet capital adequacy standards established by the Bank for International Settlements have created opportunities for European banks. As part of that trimming, Japanese commercial banks have been willing to sell loans to regional and foreign banks.

Reforms are pending in the insurance market, though the fate is unclear of recommendations by a insurance industry advisory council, which recently recommended to the finance ministry that study groups be established to consider a relaxation of the tight controls over product lines and pricing.

Ten European non-life companies have licences in Japan, and Mr Mike Gourlay, manager of Royal Insurance in Japan, said that the timing and extent of the reforms are yet to be decided, but there is a recognition that the "consumer deserves more choice".

However, the regulation of prices ensures the survival of smaller companies, and a sudden deregulation of prices could make life more difficult for some foreign companies in Japan. Mr Gourlay says Royal Insurance, which opened its Tokyo branch in 1975, has the advantage that many Japanese recognise London as the international centre for insurance – "in our direct marketing we are emphasising that we are a British company."

Robert Thomson

■ Call loans of foreign banks in Japan in billions of yen at end of period:

1986	1,902
1987	2,164
1988	2,499
1989	2,853
1990	2,725
1991	3,254

Source: Bank of Japan.

Tomohiko Kobayashi: "Active co-operation has really started"

Interview with Japan's ambassador to the European Community

Understanding is deepening

MR TOMOHIKO KOBAYASHI, Japan's ambassador to the European Community, answers questions put to him by Ian Rodger of the Financial Times.

QUESTION: *Tension between Japan and the EC appears to have subsided in recent months. Has the development of the relationship become less urgent?*

ANSWER: Because of the decline of order in the international situation, it is more urgent than ever to develop our relationships. The world needs stronger leadership. Europe, Japan and North America are the only possible leaders. Russia and China are not ready yet.

But everyone seems to be more concerned with domestic problems than international orders.

Unfortunately, we in Japan are hindered by the weakening of the Liberal Democratic Party and by the slowing down of the economy until some time next year. For example, on the question of accepting tarification on agricultural products – this kind of initiative is not foreseeable. EC Commission leaders are also hindered by internal problems.

So what can be done?

At this stage, we cannot do very spectacular things, but we can make concrete progress in particular areas. For example, we had our first high level meeting early this year on environmental co-operation, and identified many areas where we could work together.

The EC has promised to help us in studies of the Sarawak tropical forest (in Indonesia); and Japan has agreed to participate in studies of the Brazilian tropical forest, which is of great interest to the EC.

On science and technology, we will be having our first meeting of experts shortly, and we have started co-operation on the Human Frontier programme. Japan has also reached an agreement with the US, Russia and the EC on research into nuclear fusion, and, like the US, we are a party to the European Energy Charter, under which concrete agreements for joint research and development into alternative forms of energy are being negotiated.

We have had three seminars on social policy so far. I think that by comparing notes on social and labour policies, European understanding of Japanese systems is deepening, so we no longer get these sweeping criticisms based on lack of knowledge. For example, our annual working hours, which everyone criticises, are almost the same as those in the US or the UK.

So, active co-operation has really started. We are not just at the rhetorical level as we were in July 1991 when we signed our joint declaration. Relations are no longer based only on trade problems. Of course, trade problems exist, and we have to manage them carefully so as not to poison our overall relations.

Some analysts say that Japan has been reluctant or unable to carry though on its stated desire to develop stronger political relations with Europe.

Not true. We took the initiative to broaden relations. The joint declaration was a Japanese initiative. It says that political dialogue is very important, and between the EC Council, the EC Commission and the Japanese government, dialogue has already started.

We have worked on joint assessments of the former Soviet Union, and we are working together in the G24 group on eastern Europe. We have at last become an observer on the Committee for Security and Co-operation in Europe (CSCE) this year, but France is reluctant that we participate fully.

Maybe the European complaint that we do not pay enough attention to Europe is justified because interest on the Japanese side is still limited to very few people. The focus of most businessmen is on the US and Asia.

Europe, with the exception of the UK, is still considered a difficult region for Japanese business, and this view is reinforced by anti-Japanese outbursts from Mrs Edith Cresson (the former French prime minister) and Mr Jacques Calvet (chairman of the Peugeot motor group).

Even Germany is a difficult country for Japanese businessmen. People complain about Japanese *keiretsu*, but we find there are very strong business ties between banks and enterprises in Germany that make it very difficult for us to penetrate.

And there are serious labour problems in Germany. People like Mr Akio Morita of Sony are trying hard to change views, and the latest slogan in Japan for promoting global business understanding is "harmonious symbiosis" – whatever that may mean!

SOME Europeans complain that Japan is not doing enough to help the eastern European countries and the former Soviet Union countries.

The mass media in Europe are too egocentric. Even the EC Commission says that Japan should take on the same level of burden there as a European country. But for us, the significance of eastern Europe is very different. Germany got back the eastern *länder*, which was a triumph for democracy in western Europe. And now the white, Christian people in the other eastern European countries are coming back to their western cultural home, so western Europe is very happy, even euphoric.

Therefore, it is normal that they should pay for the regeneration of eastern Europe. Of course, if we reflect on the worldwide significance, Japan has to share the responsibility too, and we are ready to do that. But we have not had historical relations with eastern Europe.

Look at it the other way round: what is happening in Cambodia or North Korea or Mongolia? Only Japan is helping Mongolia's democratisation drive with massive aid. We are the biggest provider of official development aid (ODA) to China, and we have other constituencies, willy nilly, as a result of geography, like Bangladesh.

We advocate that the five former Soviet republics in central Asia should be entitled to ODA, but our initiative is being hampered by some European countries that want to direct aid mainly to their former eastern European friends.

We understand that Europe is not so interested in these areas, but we are telling Europeans that they should become more involved in Asian problems because the US is retreating, and many Asian countries are worried. A European presence could be an element of security in Asia, even calming fears of Japanese domination.

As for Russia, it is doing very little to ease tensions in the far east. Its military power there may even be increasing as it replaces old equipment. It is still occupying part of our country.

So how can we give massive macro-economic aid? Would France give financial aid to a country that was occupying Alsace?

Wartime resentment against Russia is still strong in Japan. The Soviet Union took 600,000 Japanese prisoners after the war, and there were terrible stories of torture and deprivation. Yet, we have pledged $2.6bn in technical and humanitarian assistance. The IMF is giving $24bn to Russia, and we are the second largest contributor to the IMF.

So there are differences in viewpoint. We cannot avoid misunderstandings – that is why political dialogue is necessary. The UK presidency is doing a lot. They brief us regularly and we have responded by sending the deputy minister for political affairs for regular private consultations in Europe. Understanding is deepening, little by little.

Shiseido's £2m Haute Parfumerie opened this year

Shiseido: a powerful player in the international cosmetics industry

Parisian showcase links two cultures

THERE are few parts of Paris that are *quite* as French as the Palais Royal, the sumptuous squares and arched arcades built by Cardinal Richelieu in the 17th century and now colonised by such Parisian institutions as Jack Lang's arts ministry and the Grand Véfour, one of the oldest and finest restaurants in the city.

Hidden in the arches is a prettily painted shop with astrological symbols and animal images sketched on its walls in different shades of purple and elegantly-shaped flasks of perfume in the windows. This is the *Haute Parfumerie* opened earlier this year by Shiseido, the Japanese company which is one of the most powerful players in the international cosmetics industry, as a showcase for its European interests.

Shiseido spent more than $2m to create its *Haute Parfumerie*. It sells its perfumes from the shop, but sees it less as a regular retail outlet than as an extension of its publicity programme along the lines of the lavish beauty salons owned by the established French fragrance houses, Guerlain and Boucheron.

The *Haute Parfumerie* also marks the latest stage of Shiseido's expansion in Europe. Shiseido first ventured into Europe in the early 1960s, when it started selling its products in Italy. It formalised its Italian links in 1968 by setting up Shiseido Cosmetics (Italia) as its first European subsidiary.

Italy was used as a testing ground throughout the 1970s – "in the early days we treated the Italian operation very much as an experiment," says Mr Yukata Goto, chief executive of Shiseido International (France). "And we learnt a lot from our experience there."

In 1980 Shiseido was ready to launch a fully-fledged assault on the European market, where it faced strong competition from indigenous companies, including L'Oréal of France, as well as the US groups, Revlon and Estée Lauder. The group set up new subsidiaries in France, Germany and, later, in the UK.

Shiseido also introduced specially developed versions of all its ranges – perfumes, skin care products and cosmetics – for the European market. Its Italian experience had demonstrated that it could not expect to sell the same formulae in Europe as in its native Japan.

"The demands of European consumers are different for every product type," said Mr Goto. "The Japanese tend to prefer lighter, more subtle fragrances than the Europeans. There are also differences in skin types and in the climate, which is much more humid in Japan."

Similarly Shiseido decided to adopt a different approach to marketing. In 1980 it appointed Serge Lutens, a French designer and stylist, as its international image creator. He has since co-ordinated every aspect of its publicity across different international markets ranging from its advertising campaigns to the decoration of the Palais Royal salon.

But until recently Shiseido shipped its specially developed European ranges over from its factories in Japan and the US. This year it opened its first European production plant, a factory at Gien in France.

SHISEIDO now directly employs 700 in Europe, where it made sales of $134m in its last financial year, an increase of 17 per cent on the previous year. This means that Europe now represents 30 per cent of its sales outside Japan, or 3.3 per cent of the group's overall $4.06bn turnover. This means that Europe now plays a pivotal part in Shiseido's attempts to increase its overall share of the international cosmetics market from 11 per cent to 15 per cent by the year 2000.

Shiseido plans to concentrate on expanding its distribution, rather than manufacturing, activities in Europe. The opening of the *Haute Parfumerie* in the Palais Royal forms part of this strategy being, as Yoshiharu Fukuhara, Shiseido's worldwide chief executive, put it, "an ideal bridge linking our two cultures."

Alice Rawsthorn